Distr.
GENERAL

IDB.29/3
PBC.20/3
4 June 2004

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-ninth session
Vienna, 9-11 November 2004
Item 2 (a) of the provisional agenda

Programme and Budget Committee

Twentieth session
Vienna, 4-5 September 2004
Item 3 of the provisional agenda

REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 2002-2003

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization and of the Industrial Development Fund for the financial period 2002-2003 ended 31 December 2003[1]

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[1] The present document has not been edited.

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V.04-54638 (E)

Distr.: 22 July 2004

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31 May 2004

The President of the Industrial Development Board
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Dear Sir/Madam

LETTER OF TRANSMITTAL

I have the honour to present to the Twenty-ninth session of the Industrial Development Board, through the Twentieth session of the Programme and Budget Committee, my Report and Opinion on the Financial Statements of the United Nations Industrial Development Organization for the financial period 1 January 2002 to 31 December 2003.

In transmitting my Report I wish to advise that, in accordance with the United Nations Industrial Development Organization's Financial Regulations, I have given the Director-General the opportunity to comment on my report and it is issued on the basis of the assurance that he does not have any significant comment.

Yours sincerely

[*Signed*]
S A Fakie
External Auditor
Auditor-General of the Republic of South Africa

REPORT OF THE EXTERNAL AUDITOR ON THE ACCOUNTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION FOR THE FINANCIAL PERIOD 1 JANUARY 2002 TO 31 DECEMBER 2003

I. INTRODUCTION

1. The audit of the United Nations Industrial Development Organization (UNIDO) was assigned to the Auditor-General of the Republic of South Africa for the 2002-2003 financial period by resolution GC.9/Dec.16 adopted by the ninth regular session of the General Conference.

2. This is my first term in office and accordingly, the focus of the audit initially was to obtain a thorough understanding of UNIDO's business and related systems. In the second year of the financial period, the knowledge gained in the planning phase continued to be built on. Several field offices were audited in loco and the final audit of the financial statements covering the accounts of UNIDO for the financial period 1 January 2002 to 31 December 2003 was completed in accordance with the provisions of the Financial Regulations.

3. The financial audit has been supplemented with various value-added and additional procedures. This has included the review of matters such as governance structures, human resource management, the general information technology control environment and others. These procedures have highlighted areas where improvements could be implemented, which have been communicated to management through audit observations and management letters, and actions have or are being taken by the Secretariat to address these issues.

4. The planned audit approach and results of the audit work performed during the first year of the financial period were included in my interim report, which was transmitted to the twenty-seventh session of the Industrial Development Board, through the nineteenth session of the Programme and Budget Committee in documents IDB.27/6 and PBC.19/6, respectively. The purpose of this report is to inform the Industrial Development Board, through the Programme and Budget Committee, of significant matters arising from the external audit of the 2002-2003 financial period as well as the current status of the matters raised in my interim report.

5. I am pleased to be able, through the external audit of the accounts, to provide assurance that the financial records of UNIDO are reliable and well maintained and that adequate internal controls have been implemented. Accordingly, I have expressed an unqualified opinion on the financial statements for the period ended 31 December 2003.

6. This report is set out in several parts, which group my comments into the areas of terms of reference and audit approach; governance matters; financial overview; strategic budgeting and programme management; financial and compliance matters and several other management issues.

7. It is with pleasure that I submit my report on the accounts to the twenty-ninth session of the Industrial Development Board, through the twentieth session of the Programme and Budget Committee, in terms of Article XI of the Financial Regulations.

II. TERMS OF REFERENCE AND AUDIT APPROACH

8. The audit was performed in accordance with Article XI of the Financial Regulations of UNIDO and the additional terms of reference governing external audit contained in the Annex thereto. In accordance with these terms of reference, the auditor shall express an opinion on the financial statements for the financial period and report on the financial operations and various other matters set out therein. In addition, the mandate of the external auditor provides the opportunity to add value to the accountability process in order to assist UNIDO in achieving its objectives effectively, efficiently and economically.

9. The audit was conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. A comprehensive audit approach, which incorporates financial, compliance and value-added components, was followed in the performance of the audit. Audit activities were carried out at headquarters and several field offices.

10. In addition to the audit of UNIDO, the separate accounts of the Catering Service at the Vienna International Centre are audited and a separate audit report transmitted to the Director-General for onward transmission, as required by the rules of the Catering Service. While the Trust Fund for the Global Environment Facility is audited as part of the UNIDO audit, a special arrangement has been made for a separate audit opinion to be expressed on this trust fund.

III. GOVERNANCE MATTERS

11. The principles of corporate governance have received increasing attention in recent years. It has become expected that all organisations, in both the private and public sectors, should institute structures that provide for open and transparent governance with strong support for the concepts of integrity and accountability. Aspects relating to organisational structure, reporting to stakeholders, the systems of internal control, and the values and standards of behaviour defined for the organisation are important considerations.

12. In this financial period, a review of a number of elements of UNIDO's governance framework was carried out. This covered aspects relating to governance structures, including the internal oversight function and the formulation and disclosure of appropriate policies related to such matters as ethics, fraud and others.

A. Communication

13. A significant element of an effective governance structure is a strong external audit process. The external audit process is significantly strengthened, in my view, where there is timely and open communication between the external auditor and the governing bodies. For this reason, I welcomed the opportunity to provide Member States with an interim report on the activities that had been carried out in the first year of the financial period and significant matters arising therefrom.

14. The IDB's request, at its twenty sixth session, that a table with key recommendations be included in future reports of the External Auditor, together with the Director-General's response to the recommendations made is also seen as a positive move in enhancing accountability. The first such table was included in my interim report, which included the recommendations set out in the Report of the External Auditor on the accounts of UNIDO, the Industrial Development Fund and Trust Funds for the financial period 2000-2001. Included in annexure A to this report, is the updated status in this regard.

B. Internal oversight function

15. The internal oversight function is an important element of the governance structure. My predecessor raised certain concerns regarding the capacity of the Internal Oversight Group (IOG) to perform proactive investigations as well as the intensive and extensive systematic reviews required. The PBC and IDB noted the importance of these issues and requested the Director-General to strengthen the internal oversight function.

16. It was noted that the Director-General acted swiftly in this regard and took steps to consolidate and strengthen the oversight and control functions of UNIDO. This included the establishment of the Office of the Comptroller General (OCG), which came into effect in June 2003.

17. With a view to providing constructive recommendations as the organisation moved forward in this regard, we performed an objective assessment of the internal audit function. This review, which assessed the IOG against generally accepted good practice, revealed a number of weaknesses which were reported in some detail in my interim report. The salient aspects raised can be summarised as follows:

(a) The IOG had not subscribed to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, even though these standards had been recognised by the Representatives of the Internal Audit Services of the United Nations Organizations and Multilateral Financial Institutions.

(b) The skills and resources available within the function required critical analysis.

(c) The contributions of management had not been fully integrated in the risk assessment process and channels of communication with management required clarification.

(d) Audit plans and working papers did not comply fully with recognised standards.

(e) Quality assurance and performance evaluation mechanisms had not been implemented.

18. Since the performance of our review, we have noted continued progress in improving compliance with internationally accepted standards. Terms of reference for the IOG were issued in June 2003 when the OCG was established. A comprehensive Charter was issued in October 2003 and the IIA standards and code of ethics have been formally adopted by the IOG. With the establishment of the OCG and the appointments of the Comptroller General and a new director of the IOG, the various issues raised have either been addressed or are in the process of being implemented. The internal oversight function continues to be strengthened. The progress made will remain under review in 2004-2005.

C. Policies and procedures

19. The development and communication of policies and procedures are an integral part of ensuring that the actions of staff members are directed toward the achievement of the corporate strategy and minimisation of exposure to risk. In this regard, areas where improvements could fruitfully be implemented are highlighted in the paragraphs below.

20. **Code of ethics**. In his 2000-2001 external audit report, my predecessor noted that a code of ethics should be implemented. In the 2002-2003 financial period, the Standards of Conduct for the International Civil Service were distributed to all staff.

21. **Fraud prevention strategy and contingency policy**. In my interim report, it was noted that, while certain elements of a fraud-prevention strategy were included in various rules and procedures, UNIDO did not have a formal, comprehensive fraud-prevention strategy and a contingency policy had not been developed and implemented. The Secretariat has advised that this issue is receiving attention and it expects that such a strategy will be developed by the end of 2004. Actions in this regard are being co-ordinated with other sister United Nations organisations.

22. **Environmental policy and environmental management strategy**. Organisations are increasingly recognising their relationship with and dependency on the natural environment. Environmental policies, which commit an organisation to achieving a high standard of environmental care in conducting its activities, are now considered an integral aspect of good governance. An environmental management strategy provides the framework for the successful implementation of the environmental policy. While various environmental aspects are addressed in UNIDO's current operations, it was noted that a formal environmental policy and management strategy had not been developed and implemented. The Secretariat notes that internally applied policies need to be formalised.

IV. FINANCIAL OVERVIEW

A. Regular budget and assessed contributions

23. In 2002-2003, the Organization achieved one of its highest collection rates in respect of assessed contributions, with collection rates of 93 and 92 per cent for the 2002 and 2003 years respectively. This compares favourably with the collection rates for 2000 and 2001, which were 84 and 92 per cent respectively.

24. The amount made available for obligating is influenced by the level and timing of the payment of assessed contributions. While UNIDO managed to improve the implementation rate to 92.9 per cent (2000-2001: 91.5 per cent) in the financial period, it was noted that, in order to ensure prudent budgetary management, an amount of EUR9,819,600 was not released for obligation. Member States are encouraged to pay their full assessed contributions early in each year of the financial period in accordance with the Financial Regulations so that management has the flexibility to achieve increased implementation of the approved programme budget.

B. Outstanding assessed contributions

25. The total contributions outstanding as at 31 December 2003 amounted to EUR113,977,821 (including EUR71,309,937 relating to former Member States), while at the end of the previous financial period the corresponding balance was EUR111,084,096. The slight increase of some 3 per cent indicates that, while there is a high rate of collection of current contributions, little progress is being made in reducing the arrears.

26. The level of long-term outstanding contributions is an area of concern and Member States are strongly encouraged to pursue arrangements for reducing their arrears.

C. Technical cooperation delivery

27. It is encouraging to note that an increase in technical cooperation activities has been achieved in the current biennium. This is evident by an increase in

voluntary contributions received from USD138,007,100 for 2000-2001 to USD183,483,900 in the 2002-2003 financial period (an increase of 33 per cent). Furthermore, expenditure amounting to USD196,391,100 (including programme support costs) was delivered under the technical cooperation programme, as compared to USD172,192,100 in 2000-2001. This represents an increase of some 14 per cent over the previous biennium, the area of most growth being under the Global Environment Facility.

V. STRATEGIC BUDGETING, PROGRAMME MANAGEMENT AND PERFORMANCE MEASUREMENT

28. It was noted that the results of the mid-term review for 2003 were delayed due to the implementation of new procedures under which the regional bureaux were empowered to allocate resources to field offices taking into account country priorities. This has resulted in some field offices not being able to operate within the revised budgeted allotments. The Secretariat explained that it took longer than expected to process the mid-term revisions under the revised procedures. The Secretariat added that it anticipated that, as experience is gained in the regional bureaux and the field co-ordination unit in dealing with such matters, the processing of budget revisions should be completed and communicated in good time.

29. In my interim report, it was noted that UNIDO did not have a formal performance management system in place to ensure successful implementation of the business plan. In this regard, it was recommended that UNIDO develop predetermined and measurable performance indicators and regularly monitor performance against these indicators.

30. The Secretariat recognised the need for a holistic approach that links its strategy to its activities, and reports its performance against objectives set by the organisation. In this regard, a results-based management system based on the balanced scorecard approach had been developed. Furthermore, the Programme and Budgets for 2004-2005 contains detailed performance indicators for each programme.

31. Responsibility for the development of this system has been assigned to the Evaluation Group under the Office of the Comptroller General, who are actively working on this issue.

VI. FINANCIAL AND COMPLIANCE MATTERS

A. Non-expendable equipment

32. In accordance with United Nations System Accounting Standards (UNSAS), non-expendable equipment is expensed in the period of acquisition and the total value at cost is disclosed by way of a note in the financial statements. The control over the assets of the organisation is an important requirement and the Financial Regulations prescribe that the Director-General must ensure effective custody of assets.

33. Field office audits revealed certain weaknesses in the controls over non-expendable equipment. Instances were noted where items of inventory had not been labelled to allow for identification; discrepancies between field office and headquarters inventory records had not always been resolved; weaknesses existed in the count procedures followed, while redundant equipment had not been appropriately dealt with.

34. In general, inventory records were not systematically compared with or reconciled to the accounting system to ensure the completeness of the records. While checks on inventories are done on an ongoing basis, it was noted that not all inventory items at headquarters were subject to a physical inventory count during the 2002-2003 financial period.

35. The current Administrative Instructions do not provide adequate guidance in respect of the maintenance of inventory records that meet the objective of control in respect of the safeguarding and custody of assets, and also of providing reliable information for the disclosure requirements of the UNSAS.

36. The Secretariat should take steps to improve the completeness and reliability of non-expendable equipment inventory records as a priority. The Secretariat has acknowledged these issues and will seek ways to effect improvements in a cost-effective manner, while still achieving the desired control objectives.

B. Field inter-office vouchers (FIOVs)

37. As per note 4(r) to the financial statements, there is a backlog of unprocessed FIOVs at biennium-end of USD8,473,317 (EUR6,787,127). A large portion of this (USD5,968,523) is due to the receipt of FIOVs from UNDP field offices after year-end and therefore too late for complete processing. This was impacted by the introduction by UNDP of a new electronic system for the submission of these vouchers.

38. The result of the backlog in processing is that the balance disclosed as unliquidated obligations in Statement II of the financial statements is overstated. Correspondingly, other assets are also overstated

39. The Secretariat is advised to continue to seek ways, together with UNDP, to ensure the streamlining of the FIOV processes and the timely processing of these transactions.

C. End-of-service and after-service health insurance liabilities

40. As per note 2(w)(i) to the financial statements, no budgetary provision has been made to cover the estimated costs of contingent liabilities for end-of-service payments to staff. As at 31 December 2003, UNIDO estimates the contingent liability in this regard to be EUR21.2 million for the regular budget and EUR3.3 million for the operational budget.

41. Similarly, liabilities in respect of after-service health insurance have not been fully funded. In note 2(w)(iii) of the financial statements, it is disclosed that the level of unfunded liabilities, as determined by the actuarial study, as at December 2003 is EUR36.0 million.

42. The issue of unfunded end-of-service and after-service health insurance liabilities was raised by my predecessor in his 1998-1999 and 2000-2001 audit reports. In this regard, it was noted that UNIDO was of the opinion that a United Nations' system-wide approach would be more appropriate than a stand-alone solution.

43. The Secretariat has advised that it was agreed at a recent meeting of the UN Financial and Budget Network that a task force should conduct a common actuarial study and that organisations should disclose the liability in their financial statements. The Network would also make a recommendation to the High-level Committee for Management that a working group be created to seek a system-wide solution. A report by the UN would be submitted to the General Assembly and it is expected that recommendations would flow from this.

VII. HUMAN RESOURCES MANAGEMENT

A. Recruitment and selection procedures

44. As a first step in enhancing the organisation's capacity, UNIDO promulgated a Human Resource Management (HRM) Framework in June 2001. A key element of the HRM Framework was improved competitive selection procedures, which, in turn, would result in the recruitment of highly qualified candidates, as well as lead to a reduced recruitment cycle.

45. To this end, the Director-General has decided not to exercise the authority vested in him to grant project personnel and limited duration appointments at headquarters (L and ALDS appointments under the 200 and 300 series of the staff rules).

46. My review focused on the extent to which UNIDO successfully implemented the HRM Framework and the provisions of relevant Director-General's Bulletins regarding the discontinuation of the type of appointments referred to in the paragraph above, with specific reference to the following:

47. **Recruitment of highly qualified candidates**. A comparison between the job descriptions and qualifications of recent successful candidates revealed that UNIDO is effective in recruiting highly qualified candidates.

48. **Effect on the recruitment cycle**. A comparison of the recruitment cycle both before and after the implementation of the HRM Framework indicated a reduction from 8.8 months to 3.0 months.

49. **Effect on recruitment staff**. On enquiry and from observation it was noted that available staff resources in the recruitment section are limited and that current staff members have to work extended hours to effectively deal with the workload. Inspection of the post files also revealed that the recruitment and selection processes are largely manual and labour intensive. Management is aware of the limited staff available to perform the recruitment and selection processes.

50. **Competitive recruitment and selection processes**. An inspection of recruitment and selection documentation and enquiries addressed to staff revealed that the recruitment and selection processes are extensive and, with the exception of the applicant's roster, largely performed manually. The Secretariat explained that UNIDO is in the process of purchasing human resources and payroll application software, which they consider should pave the way for the computerisation of the recruitment and administration functionality in human resource management.

B. Staff learning function

51. In my interim report, I noted that the staff learning function is well managed. It was encouraging to note that UNIDO had identified the need to address succession planning in view of the large portion of professionals who are approaching retirement age. In addition, the introduction of a management development programme was one initiative that had been implemented.

52. It was suggested that, to further improve the staff learning function, divisional learning policies and plans should be developed. Furthermore, periodic management reporting on the extent to which learning objectives had been achieved, together with the associated costs, would assist management in planning future learning activities. The development of technical and functional competencies for the remaining staff should be completed as a priority.

53. The Secretariat has advised that divisional training plans have been developed and submitted to HRM for

consolidation. HRM will organise seminars focussed on strengthening technical excellence in the areas of emphasis of the Medium-term Programme framework for 2004-2007. In 2002-2003 a number of workshops were held at headquarters and in the field and further workshops have been planned for 2004. Work on the development of essential generic and technical/functional competencies for the various occupational groups continues.

VIII. GENERAL INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) CONTROL ENVIRONMENT

54. In the interim period, an information systems audit of the general ICT control environment was performed. General controls establish a framework of overall control over the ICT activities and are intended to provide reasonable assurance that the overall objectives of internal control are achieved.

55. I reported on the following key areas where improvements in the general control environment would be advisable:

56. **Organisational structure**. The ICT function was operating with a minimal staff complement and a high level of dependence had been placed on a small number of key staff members. It was noted that this may be efficient in the short term, but could result in, inter alia, concomitant risks relating to succession and an appropriate segregation of duties.

57. **Policies and procedures**. The existing ICT strategic plan, security and network policies had not been formalised and approved. Full disaster recovery and business continuity plans had not been fully developed, implemented and regularly tested. The various procedures in use, such as user registration and change controls, needed to be better documented.

58. **Operations**. The database backup and file backup procedures that had been developed needed to be formally documented and approved.

59. **Operating systems and logical security**. Activity logs and access violation logs were not printed and reviewed regularly by management and an audit trail of the pursuant actions had not been maintained.

60. **System development life cycle (SDLC) methodology**. SDLC methodology, tailored to UNIDO's needs and requirements, were not fully documented to govern the process of developing, acquiring and maintaining information systems and related technology. The role of internal audit in future SDLC projects also requires consideration.

61. I am pleased to report that the Secretariat has taken note of the findings raised in my review. The Secretariat has advised that the Information and Communication Management Unit was placed in the OCG in June 2003 and progress has been made in addressing the matters highlighted. . Some recommendations have already been implemented while further actions are being taken to address the remaining matters. In this regard, policies and procedures have been drafted and are in the process of being formalised, while physical and certain access controls have been improved. An arrangement for off-site backup storage has been implemented. The full implementation of certain recommendations is impacted by resource constraints and can only be addressed in the future. The developments which have been initiated with a view to improving the general control environment will be followed up in 2004-2005.

IX. FIELD OFFICES

A. Effectiveness of field offices

62. Several field offices were visited during the financial period. Through discussion with relevant management and a review of documentation, it was noted that a shortage of seed money is considered to be hampering efforts in the field to initiate various programmes and projects. Furthermore, the standard staffing patterns implemented by UNIDO might warrant revision or increased flexibility to support the unique needs of offices. It was also found that, in certain areas, uncertainty existed regarding communication and reporting lines between headquarters and field offices. In some cases, difficulties were experienced in maintaining reliable access to information databases at headquarters.

63. In December 2003, the tenth General Conference encouraged the Director-General to carry forward the process of decentralisation to the field and further strengthen and rationalise the field operations of the organization (GC.10/Res.2). The General Conference also requested the Director-General to present additional recommendations on decentralization to the IDB at its next session, following a review of the field operations scheduled for the first quarter of 2004 (GC.10/Res.10). In view of this request, OCG conducted an assessment of UNIDO's existing field representation and proposed various options to more effectively fulfil UNIDO's mandated activities.

64. The assessment performed by OCG revealed that the current field structure is complex and a consistent UNIDO-wide approach is not followed. It concludes that the existing structure is no longer adapted to the current needs of UNIDO and does not provide the desired value for money. Limiting factors cited include unclear accountability lines, a lack of financial and staff

resources and inadequate support and tools to assist in carrying out desired activities.

65. The findings of the assessment are currently under review by the Secretariat and an informal advisory group of Member States was also established to advise the Director-General on further courses of action. Further proposals for decentralisation were submitted to the twenty-eighth session of the Industrial Development Board in May 2004.

66. This comprehensive review of UNIDO's field representation and consideration of ways to increase effectiveness in countries are welcomed, as it is apparent that new ways of working are called for. The progress made in this important area will remain under review in 2004-2005.

B. Administrative aspects

67. In addition to aspects already mentioned in this report, audit visits at selected field offices revealed the following further salient matters:

68. **Cash flow management**. It was noted that the segregation of duties often proved to be absent in the administration of imprest accounts. One reason for this is the limited staff complement in some offices. Where possible, the Secretariat should consider compensating controls to address the associated risk.

69. **Attendance records**. In many instances, no evidence of review of attendance records was found, contrary to the requirements of relevant Administrative Instructions. The Secretariat has issued the necessary instructions to the field to ensure compliance.

70. **Project documentation**. The filing arrangements related to project documentation had been loosely structured. The Secretariat noted that the procurement of an Electronic Document Management System is currently underway, which would contribute to improving this aspect.

71. **Information and communication technology (ICT)**. A general lack of electronic equipment and know-how to develop and maintain secure ICT environments was noted. This included issues such as the absence of standardisation of firewall and private network packages; a lack of security arrangements with third-party service providers and a lack of policies to prevent the use of non-licensed system and application software. The Secretariat has informed us that for those field offices not located in UNDP facilities, a standardised setup to address security concerns has been developed. These field offices are required to find local reliable ICT equipment and Internet service providers, using the local procurement offices of the United Nations, while system and application software is procured after consultation with headquarters.

X. ACKNOWLEDGEMENT

72. I wish to record my appreciation for the co-operation and assistance extended by the Director-General and the staff of UNIDO during my audit.

[*Signed*]
SA Fakie
External Auditor
Auditor-General of the Republic of South Africa
Pretoria, South Africa
31 May 2004

Annex I

Follow-up of the recommendations made in prior external audit reports

1. In my interim report, I provided a tabular inventory reflecting the recommendations included in the external audit report for the 2000-2001 financial period, which included comments from the Secretariat on the status of implementation. This table has been updated to reflect those recommendations that we consider need reporting on.

Recommendation	Secretariat's comments	
	Reply	Status of implementation
Women in the Secretariat: The Secretariat should intensively look for ways to improve the representation of female professional staff.	A more proactive approach in the area of recruitment and career advancement of female staff has been adopted, and significant improvements have already been achieved.	Recommendation accepted and implementation is ongoing. The Annual Report for 2003 provides information on achievements in this regard.
Establishment of a non-project-specific fund: The establishment of a non-project-specific fund could enhance project design and project evaluation.	To date no donor has agreed to provide resources to establish such a fund. Currently all donor contributions are specifically channeled for a particular purpose.	Recommendation noted, however efforts have not yielded any results.
Delays in project implementation: Project design should reflect anticipated delays. A careful planning of project activities should be undertaken and alternative work plans on project activities should be considered. Moreover, sanctions should be foreseen and applied when project parties do not fulfil their duties.	The introduction of an Implementation Working Agreement between recipient companies and UNIDO clearly specifies the responsibilities of each party involved.	Recommendation accepted and implementation is ongoing.
Contractual arrangements: Contractual arrangements should be made for a situation where the recipient fails to provide the required inputs and a lack of commitment becomes apparent.	Prior to the start of every project an agreement is signed between the recipient and UNIDO, which is submitted to the respective governments. In cases where extended delays or lack of clear commitment from the side of the counterpart is nonetheless experienced, clarification is sought from the counterpart.	Recommendation accepted and implementation is ongoing.
Code of ethics and staff rotation: A code of ethics should be implemented and a staff rotation introduced in areas which are by nature fraud-endangered.	The Standards of Conduct in the International Civil Service, which have recently been revised, have been issued to all staff. This recommendation is being implemented within the broader context of the HR policy that encourages staff mobility and horizontal growth recognition.	Recommendation accepted and implementation is ongoing.

Recommendation	Secretariat's comments	
	Reply	Status of implementation
Checks on consulting contracts: The checks on consulting contracts and on behaviour in the field should be improved. The reporting system on allegations should be clarified.	Management is taking necessary action to improve checks on consulting contracts and reporting on allegations. A detailed work plan will be prepared once the new Comptroller-General has been appointed. An e-mail hotline to the IOG was established some time ago to receive anonymous allegations. Periodic reminders of this avenue of reporting are sent to staff.	Recommendation accepted and implementation is ongoing.
Stocktaking system: Stocktaking at headquarters should be improved. Responsibilities for stocktaking at field offices and for technical cooperation projects should be clarified.	Implementation is ongoing. All field offices verified inventory lists in 2003. Stocktaking for 2004 has commenced.	Recommendation accepted; the stocktaking at headquarters is underway.
Improvement to quality management: A comprehensive system of quality management should be implemented.	Management is committed to a system of quality management and several guidelines have already been issued. Further guidelines are being developed or updated.	Recommendation accepted and implementation is ongoing.

2. The following significant issue remains outstanding from the report of the External Auditor for the 1998-1999 financial period:

Recommendation	Reply	Status of implementation
After-service health insurance liabilities: UNIDO should consider using the financial windows of opportunity to commence funding this liability by applying the principles developed in private sector accounting.	This is a highly complex issue having large funding implications. This issue is actively being followed up to find an appropriate solution to address the funding liability within the context of the UN system.	The issue is acknowledged and a UN system-wide solution is being sought.

Annex II

OPINION OF THE EXTERNAL AUDITOR

To the President of the Industrial Development Board

We have audited the accompanying financial statements, comprising Statements I to IV, Schedules and the supporting Notes of the United Nations Industrial Development Organization for the financial period ended 31 December 2003. These financial statements are the responsibility of the Director-General. My responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforming with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director-General, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all respects, the financial position of the United Nations Industrial Development Organization as at 31 December 2003 and the results of operations and cash flows for the period then ended in accordance with the stated accounting policies set out in note 1 of the notes to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in my opinion, the transactions of the United Nations Industrial Development Organization, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article XI of the Financial Regulations, I have also issued a long-form report on my audit of the United Nations Industrial Development Organization's financial statements.

[Signed]

S A Fakie
External Auditor
Auditor-General of the Republic of South Africa

Pretoria, Republic of South Africa
31 May 2004

Annex III

Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources.

2. The present financial report covers the period 1 January 2002 – 31 December 2003 and is based on the appropriations contained in the programme and budgets 2002-2003, as adopted by the General Conference at its ninth session (decision GC.9/Dec.17).

FINANCIAL STATEMENTS FOR THE BIENNIUM 2002-2003 ENDED 31 DECEMBER 2003

Certification of financial statements

Director-General's responsibility

The Director-General of the United Nations Industrial Development Organization is responsible for the preparation and integrity of the financial statements. These statements have been prepared in accordance with the United Nations System Accounting Standards and Article X of the Financial Regulations of UNIDO and include certain amounts that are based on management's best estimates and judgements. Financial information used elsewhere is consistent with that in the financial statements. Management considers that the statements present fairly the financial position of the Organization and of funds held in trust by it, the results of their operations and the changes in their financial position.

To fulfil its responsibility, the Organization maintains systems of internal accounting controls, policies and procedures to ensure the reliability of financial information and the safeguarding of assets. The internal control systems and financial records are subject to reviews by the Office of the Comptroller General and the External Auditor during their respective audits.

The following appended financial statements, comprising Statements I to IV, relevant schedules and supporting notes, were properly prepared in accordance with the United Nations System Accounting Standards and Article X of the Financial Regulations of UNIDO.

[*Signed*]
Amita Misra
Director, Financial Services Branch

[*Signed*]
Carlos A. Magariños
Director-General

Statement I

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the biennium 2002-2003
(In thousands of euros)

Heading	General Fund and Working Capital Fund *(Note or schedule no. 2)*		Other Headquarters funds *(Note or schedule no. 3)*		Technical cooperation *(Note or schedule no. 4)*		Eliminations *(Note no. 2 p)*	Total 2002-2003	Total 2000-2001
INCOME									
Assessed contributions	133,689.8	*(a)*						133,689.8	132,683.1
Voluntary contributions	872.9		217.2	*(c)*	177,849.2	*(e)*		178,939.3	155,837.8
OTHER INCOME									
Revenue-producing activities	75.6	*(b)*	19,700.3					19,775.9	20,851.4
Funds under inter-organizational arrangements					16,849.7			16,849.7	24,496.6
Jointly-financed activities			34,568.9				(4,371.2)	30,197.7	23,782.0
Income for services rendered			1,277.5				(401.9)	875.6	216.9
Interest income	1,600.0	*(c)*	297.5		1,528.9	*(f)*		3,426.4	5,911.5
Currency exchange adjustments	(2,050.9)	*(d)*	(1,173.1)	*(d)*	1,978.9	*(g, h)*	(0.9)	(1,246.0)	(4,301.8)
Miscellaneous income	1,066.4	*(e)*	96.3		(17.2)			1,145.5	673.6
TOTAL INCOME	135,253.8		54,984.6		198,189.5		(4,774.0)	383,653.9	360,151.1
EXPENDITURE									
Salaries and common staff costs	87,504.7	*(f)*	29,506.0		57,807.6		6,136.5	180,954.8	184,832.8
Operating costs and contractual services	27,295.8		17,682.5		60,327.5		(2,649.4)	102,656.4	108,534.2
Acquisitions					31,908.0		1,652.8	33,560.8	31,770.5
Fellowships					6,976.1		920.2	7,896.3	12,375.1
RPTC and IDDA supplementary activities	13,302.2	*(g)*					(10,834.1)	2,468.1	0.0
Programme support costs			92.2		18,960.9			19,053.1	19,269.9
TOTAL EXPENDITURE	128,102.7		47,280.7		175,980.1		(4,774.0)	346,589.5	356,782.5

Heading	General Fund and Working Capital Fund (Note or schedule no. 2)		Other Headquarters funds (Note or schedule no. 3)		Technical cooperation (Note or schedule no. 4)		Eliminations (Note no. 2 p)	Total 2002-2003	Total 2000-2001
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	7,151.1		7,703.9		22,209.4		0.0	37,064.4	3,368.6
Prior biennium adjustments	(117.8)	*(h)*			(141.7)			(259.5)	(792.2)
Savings on cancellation of obligations from prior biennium	4,317.6	*(i)*	578.1		293.9			5,189.6	4,230.2
Provision for delays in the collection of contributions	(2,496.6)							(2,496.6)	(5,046.5)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	8,854.3		8,282.0	*(e)*	22,361.6			39,497.9	1,760.1
Transfers to reserves	4,312.2	*(d, g)*			220.4	*(i)*		4,532.6	977.3
Transfers from reserves	(50.8)							(50.8)	(492.4)
Credits to Member States	(5,737.2)	*(o)*						(5,737.2)	(14,075.5)
Transfers to and from other funds	(182.3)	*(i)*			(139.6)	*(j, k)*		(321.9)	
Other adjustments to reserves and fund balances			(37.9)	*(f)*	(47,418.1)			(47,456.0)	
Reserves and fund balances, beginning of biennium	6,427.1		3,930.5		124,789.8			135,147.4	146,977.9
RESERVES AND FUND BALANCES, END OF BIENNIUM	13,623.3		12,174.6		99,814.1		0.0	125,612.0	135,147.4

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
as at 31 December 2003
(In thousands of euros)

Heading	General Fund and Working Capital Fund (Note or schedule no. 2)		Other Headquarters funds (Note or schedule no. 3)		Technical cooperation (Note or schedule no. 4)		Eliminations (Note 2 p)	Total 2002-2003	Total 2000-2001
ASSETS									
Cash and term deposits	23,393.9		8,972.6		141,852.5	(l)		174,219.0	197,293.6
Accounts receivable									
Assessed contributions receivable from Member States	113,977.8							113,977.8	111,084.3
Voluntary contributions receivable					16,231.7			16,231.7	
Other contributions receivable	97.9				823.0			920.9	4,580.6
Provision for delays in the collection of contributions	(104,572.9)							(104,572.9)	(102,076.3)
Interfund balances			681.9		2,115.3			2,797.2	7,094.3
Other	3,901.0	(j)	7,155.8	(g)	970.2			12,027.0	16,071.8
Other assets	575.5				7,411.8			7,987.3	11,714.2
TOTAL ASSETS	37,373.2		16,810.3		169,404.5		0.0	223,588.0	245,762.5
LIABILITIES									
Payments or contributions received in advance	189.9		380.6	(h)	14,665.2			15,235.7	4,960.1
Borrowings payable within one year	801.0	(k)						801.0	1,123.0
Unliquidated obligations	12,176.6		3,409.4		29,927.6			45,513.6	51,914.2
Accounts payable - interfund	1,082.0		501.1		1,215.1			2,797.2	7,094.3
Accounts payable - other	8,699.4	(d, j)	344.6	(g)	23,763.5	(f, g)		32,827.5	42,154.5
Other funds and special accounts									
Other liabilities									
Borrowings payable after one year	801.0	(k)						801.0	3,369.0
TOTAL LIABILITIES	23,749.9		4,635.7		69,590.4		0.0	97,976.0	110,615.1

Heading	General Fund and Working Capital Fund (Note or schedule no. 2)		Other Headquarters funds (Note or schedule no. 3)		Technical cooperation (Note or schedule no. 4)		Eliminations (Note 2 p)	Total 2002-2003	Total 2000-2001
RESERVES AND FUND BALANCES									
Operating reserves			4,828.9	*(i)*	440.5	*(m)*		5,269.4	5,446.6
Other reserves	9,929.3	*(l, m)*			1,984.9			11,914.2	8,167.2
Balances relating to projects funded by donors					95,063.9			95,063.9	119,252.8
Working capital fund	7,423.4	*(n)*						7,423.4	7,455.4
Surplus (deficit)	(3,729.4)	*(o)*	7,345.7		2,324.8			5,941.1	(5,174.6)
TOTAL RESERVES AND FUND BALANCES	13,623.3		12,174.6		99,814.1		0.0	125,612.0	135,147.4
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	37,373.2		16,810.3		169,404.5		0.0	223,588.0	245,762.5

Schedule 2.1

STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET (in EURO)
as at 31 December 2003

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Afghanistan	0.0100	0.01000	76,778	13,368	-	-	76,778	13,368	90,146
Albania	0.004	0.00400	2,491	5,348	2,491	5,348	-	-	-
Algeria	0.101	0.09900	-	66,177	-	66,177	-	-	-
Angola	0.003	0.00300	-	2,058	-	2,058	-	-	-
Argentina	1.648	1.62800	2,541,205	2,147,392	7,296	42,447	2,533,909	2,104,945	4,638,854
Armenia	0.003	0.00300	910,777	4,010	2,032		908,745	4,010	912,755
Austria	1.356	1.34200	-	897,059	-	897,059	-	-	-
Azerbaijan	0.006	0.00600	1,135,972	7,353	121,086	669	1,014,886	6,684	1,021,570
Bahamas	0.017	0.01700	-	11,364	-	11,364	-	-	-
Bahrain	0.026	0.02600	-	17,380	-	16,874	-	506	506
Bangladesh	0.010	0.01000	-	6,684	-	6,684	-	-	-
Barbados	0.013	0.01300	-	8,690	-	8,002	-	688	688
Belarus	0.027	0.02700	489,850	35,428	249,422	668	240,428	34,760	275,188
Belgium	1.617	1.60000	-	1,069,519	-	1,069,519	-	-	-
Belize	0.001	0.00100	-	668	-	106	-	562	562
Benin	0.003	0.00300	3,163	4,010	3,163	1,390	-	2,620	2,620
Bhutan	0.001	0.00100	-	668	-	668	-	-	-
Bolivia	0.011	0.01100	-	14,706	-	40	-	14,666	14,666
Bosnia and Herzegovina	0.006	0.00600	214,904	7,353	214,904	7,353	-	-	-
Botswana	0.014	0.01400	-	9,358	-	9,358	-	-	-
Brazil	2.976	3.38600	12,466,047	4,170,787	-	81,885	12,466,047	4,088,902	16,554,949
Bulgaria	0.018	0.01800	-	12,032	-	12,032	-	-	-
Burkina Faso	0.003	0.00300	-	3,064	-	3,064	-	-	-
Burundi	0.001	0.00100	65,035	1,336	3	-	65,032	1,336	66 368
Cambodia	0.003	0.00300	-	4,010	-	-	-	4,010	4,010
Cameroon	0.013	0.01300	-	8,690	-	8,690	-	-	-
Cape Verde	0.001	0.00100	94,788	1,336	9	-	94,779	1,336	96,115
Central African Republic	0.001	0.00100	110,145	1,336	3	-	110,142	1,336	111,478
Chad	0.001	0.00100	83,440	1,336	-	-	83,440	1,336	84,776
Chile	0.266	0.30000	-	361,680	-	149,885	-	211,795	211,795
China	2.196	2.17000	-	1,450,535	-	1,450,535	-	-	-
Colombia	0.243	0.28500	-	337,472	-	132,198	-	205,274	205,274
Comoros	0.001	0.00100	120,346	1,336	-	-	120,346	1,336	121,682

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Congo	0.001	0.00100	108,030	1,336	12	-	108,018	1,336	109,354
Costa Rica	0.028	0.02800	80,619	36,765	11,135	669	69,484	36,096	105,580
Côte d'Ivoire	0.013	0.01300	16,617	16,711	16,617	16,711	-	-	-
Croatia	0.055	0.05500	-	36,765	-	36,765	-	-	-
Cuba	0.043	0.04300	-	47,988	-	21,316	-	26,672	26,672
Cyprus	0.054	0.05400	-	36,096	-	36,096	-	-	-
Czech Republic	0.245	0.28800	-	192,514	-	192,514	-	-	-
Democratic People's Republic of Korea	0.013	0.01300	13,703	16,711	13,703	12,432	-	4,279	4,279
Democratic Republic of the Congo	0.006	0.00600	115,204	7,353	30	669	115,174	6,684	121,858
Denmark	1.073	1.06100	-	709,225	-	709,225	-	-	-
Djibouti	0.001	0.00100	83,440	1,336	-	-	83,440	1,336	84,776
Dominica	0.001	0.00100	417	1,336	417	687	-	649	649
Dominican Republic	0.033	0.03300	309,091	42,781	-	1,337	309,091	41,444	350,535
Ecuador	0.036	0.03500	-	23,396	-	23,396	-	-	-
Egypt	0.115	0.11500	-	76,872	-	5,127	-	71,745	71,745
El Salvador	0.026	0.02600	125,036	34,091	-	669	125,036	33,422	158,458
Equatorial Guinea	0.001	0.00100	120,346	1,336	-	-	120,346	1,336	121,682
Eritrea	0.001	0.00100	-	715	-	76	-	639	639
Ethiopia	0.006	0.00600	-	4,011	-	4,011	-	-	-
Fiji	0.006	0.00600	-	4,011	-	4,011	-	-	-
Finland	0.748	0.74000	-	494,652	-	494,652	-	-	-
France	9.264	9.16100	-	6,123,662	-	6,123,662	-	-	-
Gabon	0.020	0.02000	13,228	26,070	172	668	13,056	25,402	38,458
Gambia	0.001	0.00100	74,709	1,336	1,961	-	72,748	1,336	74,084
Georgia	0.007	0.00700	1,589,719	9,358	-	30	1,589,719	9,328	1,599,047
Germany	13.997	13.84100	-	9,252,003	-	9,252,003	-	-	-
Ghana	0.007	0.00700	9,910	9,358	9,910	7,748	-	1,610	1,610
Greece	0.772	0.76400	-	510,696	-	510,696	-	-	-
Grenada	0.001	0.00100	86,608	1,336	10,985	-	75,623	1,336	76,959
Guatemala	0.038	0.03800	-	25,401	-	25,121	-	280	280
Guinea	0.004	0.00400	16,239	5,348	16,239	5,348	-	-	-
Guinea-Bissau	0.001	0.00100	115,455	1,336	3	-	115,452	1,336	116,788
Guyana	0.001	0.00100	555	1,336	91	-	464	1,336	1,800
Haiti	0.003	0.00300	-	3,943	-	3,943	-	-	-
Honduras	0.006	0.00700	-	4,679	-	4,679	-	-	-

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Hungary	0.172	0.17000	-	113,637	-	113,637	-	-	-
India	0.489	0.48300	-	322,861	-	322,861	-	-	-
Indonesia	0.286	0.28300	-	189,171	-	189,171	-	-	-
Iran (Islamic Republic of)	0.336	0.38500	207,680	472,928	207,680	35,781	-	437,147	437,147
Iraq	0.145	0.19300	1,481,289	221,258	-	4,679	1,481,289	216,579	1,697,868
Ireland	0.422	0.41700	-	278,744	-	278,744	-	-	-
Israel	0.594	0.58800	-	393,048	-	393,048	-	-	-
Italy	7.256	7.17451	-	4,795,795	-	4,795,795	-	-	-
Jamaica	0.006	0.00600	4,961	7,353	115	669	4,846	6,684	11,530
Japan	22.000	22.00000	-	14,705,878	-	14,705,878	-	-	-
Jordan	0.011	0.01100	-	7,353	-	7,353	-	-	-
Kazakhstan	0.041	0.04000	472,854	53,142	29,131	1,002	443,723	52,140	495,863
Kenya	0.011	0.01100	8,238	14,706	8,238	14,706	-	-	-
Kuwait	0.210	0.20800	-	139,037	-	139,037	-	-	-
Kyrgyzstan	0.001	0.00100	374,443	1,336	27	-	374,416	1,336	375,752
Lao People's Democratic Republic	0.001	0.00100	-	668	-	668	-	-	-
Lebanon	0.017	0.01700	-	21,308	-	829	-	20,479	20,479
Lesotho	0.001	0.00100	-	668	-	668	-	-	-
Liberia	0.001	0.00100	86,022	1,336	-	-	86,022	1,336	87,358
Libyan Arab Jamahiriya	0.095	0.09500	71,090	124,666	71,090	124,666	-	-	-
Lithuania	0.024	0.02400	403,778	31,417	99,205	669	304,573	30,748	335,321
Luxembourg	0.114	0.11300	-	75,535		1,863	-	73,672	73,672
Madagascar	0.004	0.00400	-	5,279	-	5,279	-	-	-
Malawi	0.003	0.00300	34,208	4,010	24	-	34,184	4,010	38,194
Malaysia	0.337	0.33300	-	222,594	-	222,594	-	-	-
Maldives	0.001	0.00100	1,021	1,336	1,021	759	-	577	577
Mali	0.003	0.00300	15,175	4,010	49	-	15,126	4,010	19,136
Malta	0.021	0.02100	-	14,037	-	14,037	-	-	-
Mauritania	0.001	0.00100	112,649	1,336	3	-	112,646	1,336	113,982
Mauritius	0.016	0.01600	-	10,695	-	10,695	-	-	-
Mexico	1.557	1.53900	-	1,028,744	-	818,688	-	210,056	210,056
Mongolia	0.001	0.00100	-	1,188		1,188	-	-	-
Morocco	0.064	0.06200	-	41,444	-	41,344	-	100	100
Mozambique	0.001	0.00100	-	668	-	668	-	-	-
Myanmar	0.010	0.01000	8,313	13,368	8,313	6,791	-	6,577	6,577
Namibia	0.010	0.01000	-	13,368	-	13,368	-	-	-

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Nepal	0.006	0.00600	-	4,011	-	4,011	-	-	-
Netherlands	2.489	2.46200	-	1,645,722	-	1,645,722	-	-	-
New Zealand	0.345	0.34100	-	227,942	-	227,942	-	-	-
Nicaragua	0.001	0.00100	133,310	1,336	3	-	133,307	1,336	134,643
Niger	0.001	0.00100	94,823	1,336	9	-	94,814	1,336	96,150
Nigeria	0.080	0.09600	-	113,718	-	24,707	-	89,011	89,011
Norway	0.927	0.91500	-	611,631	-	611,631	-	-	-
Oman	0.088	0.08600	-	57,487	-	57,487	-	-	-
Pakistan	0.087	0.08600	-	103,946	-	103,946	-	-	-
Panama	0.026	0.02600	-	17,380	-	15,187	-	2,193	2,193
Papua New Guinea	0.009	0.00900	-	6,016	-	775	-	5,241	5,241
Paraguay	0.023	0.02300	34,308	30,080	6,140	668	28,168	29,412	57,580
Peru	0.169	0.16700	80,771	220,589	1,249	4,010	79,522	216,579	296,101
Philippines	0.144	0.14200	-	106,818	-	74,809	-	32,009	32,009
Poland	0.454	0.53600	-	358,289	-	317,228	-	41,061	41,061
Portugal	0.663	0.65500	-	437,835	-	437,835	-	-	-
Qatar	0.048	0.04800	4,441	62,835	4,441	62,835	-	-	-
Republic of Korea	2.653	2.62300	-	1,753,342	-	1,753,342	-	-	-
Republic of Moldova	0.003	0.00300	868,883	4,010	45	-	868,838	4,010	872,848
Romania	0.084	0.08200	-	54,813	-	4,182	-	50,631	50,631
Russian Federation	1.706	1.70000	-	1,136,364	-	1,136,364	-	-	-
Rwanda	0.001	0.00100	7,930	1,336	3	-	7,927	1,336	9,263
Saint Kitts and Nevis	0.001	0.00100	-	668	-	668	-	-	-
Saint Lucia	0.003	0.00300	-	2,005	-	91	-	1,914	1,914
SaintVincent and the Grenadines	0.001	0.00100	109,615	1,336	3	-	109,612	1,336	110,948
Sao Tome and Principe	0.001	0.00100	120,346	1,336		-	120,346	1,336	121,682
Saudi Arabia	0.795	0.78500	-	524,732	-	524,732	-	-	-
Senegal	0.007	0.00700	-	9,107	-	9,107	-	-	-
Serbia and Montenegro	0.028	0.02800	-	18,717	-	668	-	18,049	18,049
Seychelles	0.003	0.00300	41,842	4,010	24	-	41,818	4,010	45,828
Sierra Leone	0.001	0.00100	87,015	1,336	5,976	-	81,039	1,336	82,375
Slovakia	0.061	0.06100	-	40,776	-	40,776	-	-	-
Slovenia	0.115	0.11500	184,053	150,736	-	3,008	184,053	147,728	331,781
Somalia	0.001	0.00100	133,323	1,336	3	-	133,320	1,336	134,656
South Africa	0.584	0.57807	-	386,410	-	386,410	-	-	-
Spain	3.610	3.56797	-	2,385,006	-	2,385,006	-	-	-

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Sri Lanka	0.023	0.02300	-	15,710	-	15,710	-	-	-
Sudan	0.009	0.00900	-	6,016	-	1,401	-	4,615	4,615
Suriname	0.003	0.00300	37,545	4,010	33	-	37,512	4,010	41,522
Swaziland	0.003	0.00300	-	2,005	-	2,005	-	-	-
Sweden	1.471	1.45445	-	972,226	-	972,226	-	-	-
Switzerland	1.811	1.80500	-	1,206,551	-	1,206,551	-	-	-
Syrian Arab Republic	0.115	0.11300	-	75,535	-	75,535	-	-	-
Tajikistan	0.001	0.00100	276,070	1,336	302	-	275,768	1,336	277,104
Thailand	0.361	0.41700	-	372,134	-	296,803	-	75,331	75,331
TFYR of Macedonia	0.009	0.00900	153	11,364	153	5,343	-	6,021	6,021
Togo	0.001	0.00100	71,142	1,336	3	-	71,139	1,336	72,475
Tonga	0.001	0.00100	570	1,336	570	1,336	-	-	-
Trinidad and Tobago	0.023	0.02300	-	15,374	-	917	-	14,457	14,457
Tunisia	0.044	0.04300	-	29,844	-	27,508	-	2,336	2,336
Turkey	0.631	0.62300	-	416,444	-	416,444	-	-	-
Turkmenistan	0.004	0.00400	149,960	5,348	-	-	149,960	5,348	155,308
Uganda	0.007	0.00700	-	4,679	-	4,679	-	-	-
Ukraine	0.075	0.07500	7,643,881	98,263	936,005	2,005	6,707,876	96,258	6,804,134
United Arab Emirates	0.290	0.28600	-	191,177	-	191,177	-	-	-
United Kingdom	7.932	7.84300	-	5,242,646	-	5,242,646	-	-	-
United Republic of Tanzania	0.006	0.00600	35	7,353	35	7,353	-	-	-
Uruguay	0.115	0.11300	57,616	149,733	12,189	2,644	45,427	147,089	192,516
Uzbekistan	0.016	0.01600	449,332	20,722	111	668	449,221	20,054	469,275
Vanuatu	0.001	0.00100	77,011	1,336	3	-	77,008	1,336	78,344
Venezuela	0.299	0.29500	-	343,472	-	15,341	-	328,131	328,131
Viet Nam	0.018	0.02300	-	15,374	-	15,374	-	-	-
Yemen	0.010	0.00900	-	6,016	-	5,693	-	323	323
Zambia	0.003	0.00300	51,558	4,010	24	-	51,534	4,010	55,544
Zimbabwe	0.011	0.01100	-	7,353	-	127	-	7,226	7,226
Subtotal:	100.000	100.00000	35,191,121	71,492,378	2,073,904	62,088,102	33,117,217	9,404,276	42,521,493
FORMER MEMBER STATE:									
USA			69,264,731	0	36,496	0	69,228,235	0	69,228,235
Yugoslavia (former)			2,081,816	0	114	0	2,081,702	0	2,081,702
Subtotal:			71,346,547	0	36,610	0	71,309,937	0	71,309,937

Member State	Scale %		Contributions payable 1 January 2003		Credits and Collections in 2003		Contributions outstanding		Total outstanding
	2002	2003	Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
NEW MEMBER STATE:									
Chad			9,812		3		9,809		9,809
Comoros			12,978		3		12,975		12,975
Djibouti			8,790		3		8,787		8,787
El Salvador			17,250		0		17,250		17,250
Equatorial Guinea			12,978		3		12,975		12,975
Kazakhstan			73,307		73,307		0		0
Liberia			18,629		9		18,620		18,620
Monaco				2,674		2,674		0	0
Sao Tome+Principe			12,978		3		12,975		12,975
Timor-Leste				668			0	668	668
Turkmenistan			52,332		0		52,332		52,332
Subtotal:			219,054	3,342	73,331	2,674	145,723	668	146,391
TOTAL:			106,756,722	71,495,720	2,183,845	62,090,776	104,572,877	9,404,944	113,977,821
1986			50,480		15		50,465		50,465
1987			53,410		0		53,410		53,410
1988			82,284		3		82,281		82,281
1989			109,996		48		109,948		109,948
1990			525,784		123		525,661		525,661
1991			770,026		6,767		763,259		763,259
1992			972,469		29,705		942,764		942,764
1993			1,185,979		45,681		1,140,298		1,140,298
1994			8,285,875		213,168		8,072,707		8,072,707
1995			38,915,949		997,164		37,918,785		37,918,785
1996			35,194,882		115,082		35,079,800		35,079,800
1997			5,130,733		83,026		5,047,707		5,047,707
1998			4,096,229		139,463		3,956,766		3,956,766
1999			4,805,869		177,776		4,628,093		4,628,093
2000			3,117,453		88,659		3,028,794		3,028,794
2001			3,459,304		287,165		3,172,139		3,172,139
2002				4,647,478		661,894		3,985,584	3,985,584
2003				66,848,242		61,428,882		5,419,360	5,419,360
TOTAL			106,756,722	71,495,720	2,183,845	62,090,776	104,572,877	9,404,944	113,977,821

Schedule 2.2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND
as at 31 December 2003

(In euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
AFGHANISTAN	0.01000	742	296	12		434
ALBANIA	0.00400	297	297			-
ALGERIA	0.09900	7,349	7,497	(148)		-
ANGOLA	0.00300	223	223			-
ARGENTINA	1.62800	120,847	120,921	(74)		-
ARMENIA	0.00300	223	223			-
AUSTRIA	1.34200	99,617	100,657	(1,040)		-
AZERBAIJAN	0.00600	445	445			-
BAHAMAS	0.01700	1,262	1,262			-
BAHRAIN	0.02600	1,930	1,930			-
BANGLADESH	0.01000	742	742			-
BARBADOS	0.01300	965	965			-
BELARUS	0.02700	2,004	2,004			-
BELGIUM	1.60000	118,769	120,031	(1,262)		-
BELIZE	0.00100	74	74			-
BENIN	0.00300	223	223			-
BHUTAN	0.00100	74	74			-
BOLIVIA	0.01100	817	742	75		-
BOSNIA AND HERZEGOVINA	0.00600	445	445			-
BOTSWANA	0.01400	1,039	1,039			-
BRAZIL	3.38600	251,344	161,302	8,791		81,251
BULGARIA	0.01800	1,336	1,336			-
BURKINA FASO	0.00300	223	223			-
BURUNDI	0.00100	74	74			-
CAMBODIA	0.00300	223	74	76		73
CAMEROON	0.01300	965	965			-
CAPE VERDE	0.00100	74	74			-
CENTRAL AFRICAN REPUBLIC	0.00100	74	74			-
CHAD	0.00100	74	74			-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
CHILE	0.30000	22,269	19,745	1,496	1,028	-
CHINA	2.17000	161,080	163,010	(1,930)		-
COLOMBIA	0.28500	21,156	18,038	1,659	1,459	-
COMOROS	0.00100	74	74			-
CONGO, REP. OF	0.00100	74	74			-
COSTA RICA	0.02800	2,078	2,078			-
COTE D'IVOIRE	0.01300	965	965			-
CROATIA	0.05500	4,083	4,083			-
CUBA	0.04300	3,192	3,192			-
CYPRUS	0.05400	4,008	4,008			-
CZECH REPUBLIC	0.28800	21,378	18,186	3,192		-
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	0.01300	965	965			-
DEMOCRATIC REPUBLIC OF THE CONGO	0.00600	445	445			-
DENMARK	1.06100	78,759	79,650	(891)		-
DJIBOUTI	0.00100	74	74			-
DOMINICA	0.00100	74	74			-
DOMINICAN REPUBLIC	0.03300	2,450	252	66		2,132
ECUADOR	0.03500	2,598	2,672	(74)		-
EGYPT	0.11500	8,536	8,536			-
EL SALVADOR	0.02600	1,930	92	54		1,784
EQUATORIAL GUINEA	0.00100	74	74			-
ERITREA	0.00100	74	74			-
ETHIOPIA	0.00600	445	445			-
FIJI	0.00600	445	445			-
FINLAND	0.74000	54,930	55,524	(594)		-
FRANCE	9.16100	680,024	687,670	(7,646)		-
GABON	0.02000	1,485	1,485			-
GAMBIA	0.00100	74	74			-
GEORGIA	0.00700	520	520			-
GERMANY	13.84100	1,027,422	1,039,002	(11,580)		-
GHANA	0.00700	520	520			-
GREECE	0.76400	56,712	57,306	(594)		-
GRENADA	0.00100	74	74			-
GUATEMALA	0.03800	2,821	2,821			-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
GUINEA	0.00400	297	297			-
GUINEA-BISSAU	0.00100	74	74			-
GUYANA	0.00100	74	74			-
HAITI	0.00300	223	223			-
HONDURAS	0.00700	520	445	75		-
HUNGARY	0.17000	12,619	12,768	(149)		-
INDIA	0.48300	35,853	36,299	(446)		-
INDONESIA	0.28300	21,007	21,230	(223)		-
IRAN (ISLAMIC REPUBLIC OF)	0.38500	28,579	24,941		3,638	-
IRAQ	0.19300	14,326	3,489	141		10,696
IRELAND	0.41700	30,954	31,325	(371)		-
ISRAEL	0.58800	43,647	44,093	(446)		-
ITALY	7.17451	532,567	538,616	(6,049)		-
JAMAICA	0.00600	445	445			-
JAPAN	22.00000	1,633,067	1,633,067			-
JORDAN	0.01100	817	817			-
KAZAKHSTAN	0.04000	2,969	3,043	(74)		-
KENYA	0.01100	817	742	75		-
KUWAIT	0.20800	15,440	15,588	(148)		-
KYRGYZSTAN	0.00100	74	74			-
LAO PEOPLE'S DEMOCRATIC REPUBLIC	0.00100	74	74			-
LEBANON	0.01700	1,262	1,262			-
LESOTHO	0.00100	74	74			-
LIBERIA	0.00100	74	74			-
LIBYAN ARAB JAMAHIRIYA	0.09500	7,052	7,052			-
LITHUANIA	0.02400	1,782	1,782			-
LUXEMBOURG	0.11300	8,388	8,462	(74)		-
MADAGASCAR	0.00400	297	297			-
MALAWI	0.00300	223	223			-
MALAYSIA	0.33300	24,719	25,016	(297)		-
MALDIVES	0.00100	74	74			-
MALI	0.00300	223	223			-
MALTA	0.02100	1,559	1,559			-
MAURITANIA	0.00100	74	74			-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
MAURITIUS	0.01600	1,188	1,188			-
MEXICO	1.53900	114,240	115,577	(1,337)		-
MONGOLIA	0.00100	74	74			-
MOROCCO	0.06200	4,602	4,751	(149)		-
MOZAMBIQUE	0.00100	74	74			-
MYANMAR	0.01000	742	742			-
NAMIBIA	0.01000	742	742			-
NEPAL	0.00600	445	445			-
NETHERLANDS	2.46200	182,755	184,760	(2,005)		-
NEW ZEALAND	0.34100	25,313	25,609	(296)		-
NICARAGUA	0.00100	74	74			-
NIGER	0.00100	74	74			-
NIGERIA	0.09600	7,126	5,938	1,188		-
NORWAY	0.91500	67,921	68,812	(891)		-
OMAN	0.08600	6,384	6,532	(148)		-
PAKISTAN	0.08600	6,384	6,458	(74)		-
PANAMA	0.02600	1,930	1,930			-
PAPUA NEW GUINEA	0.00900	668	668			-
PARAGUAY	0.02300	1,707	904	121	682	-
PERU	0.16700	12,396	12,545	(149)		-
PHILIPPINES	0.14200	10,541	10,689	(148)		-
POLAND	0.53600	39,788	33,702	6,086		-
PORTUGAL	0.65500	48,621	49,215	(594)		-
QATAR	0.04800	3,563	3,563			-
REPUBLIC OF KOREA	2.62300	194,707	196,934	(2,227)		
REPUBLIC OF MOLDOVA	0.00300	223	223			-
ROMANIA	0.08200	6,087	6,235	(148)		-
RUSSIAN FEDERATION	1.70000	126,192	126,637	(445)		-
RWANDA	0.00100	74	74			-
SAINT KITTS AND NEVIS	0.00100	74	74			-
SAINT LUCIA	0.00300	223	223			-
SAINT VINCENT AND THE GRENADINES	0.00100	74	74			-
SAO TOME AND PRINCIPE	0.00100	74	74			-
SAUDI ARABIA	0.78500	58,271	59,014	(743)		-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
SENEGAL	0.00700	520	520			-
SERBIA AND MONTENEGRO	0.02800	2,078	2,078			-
SEYCHELLES	0.00300	223	223			-
SIERRA LEONE	0.00100	74	74			-
SLOVAKIA	0.06100	4,528	4,528			-
SLOVENIA	0.11500	8,536	6,681	626		1,229
SOMALIA	0.00100	74	74			-
SOUTH AFRICA	0.57807	42,910	43,350	(440)		-
SPAIN	3.56797	264,851	267,972	(3,121)		-
SRI LANKA	0.02300	1,707	1,707			-
SUDAN	0.00900	668	668			-
SURINAME	0.00300	223	223			-
SWAZILAND	0.00300	223	223			-
SWEDEN	1.45445	107,965	109,193	(1,228)		-
SWITZERLAND	1.80500	133,986	134,432	(446)		-
SYRIAN ARAB REPUBLIC	0.11300	8,388	8,536	(148)		-
TAJIKISTAN	0.00100	74	74			-
THAILAND	0.41700	30,954	26,797	2,495	1,662	-
TFYR OF MACEDONIA	0.00900	668	668			-
TOGO	0.00100	74	74			-
TONGA	0.00100	74	74			-
TRINIDAD AND TOBAGO	0.02300	1,707	1,707			-
TUNISIA	0.04300	3,192	3,266	(74)		-
TURKEY	0.62300	46,245	46,839	(594)		-
TURKMENISTAN	0.00400	297	-	27		270
UGANDA	0.00700	520	520			-
UKRAINE	0.07500	5,567	5,567			-
UNITED ARAB EMIRATES	0.28600	21,230	21,527	(297)		-
UNITED KINGDOM	7.84300	582,189	588,795	(6,606)		-
UNITED REP. OF TANZANIA	0.00600	445	445			-
URUGUAY	0.11300	8,388	8,536	(148)		-
UZBEKISTAN	0.01600	1,188	1,188			-
VANUATU	0.00100	74	74			-
VENEZUELA	0.29500	21,898	22,195	(297)		-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2002	Adjustments 2003	Collections 2003	Amount outstanding
VIET NAM	0.02300	1,707	1,336		371	-
YEMEN	0.00900	668	742	(74)		-
ZAMBIA	0.00300	223	223			-
ZIMBABWE	0.01100	817	817			-
Subtotal	100.00000	7,423,030	7,347,003	(30,682)	8,840	97,869
New Member States						
MONACO	0.00400	297	-	-	297	-
TIMOR-LESTE	0.00100	74		-		74
Subtotal	0.00500	371	-	-	297	74
TOTAL	100.00500	7,423,401	7,347,003	(30,682)	9,137	97,943

Statement III

GENERAL FUND AND WORKING CAPITAL FUND

Statement of cash flow for the biennium 2002-2003 as at 31 December 2003

(In thousands of euros)

			Total 2003	Total 2001
Cash flows from operating activities				
Excess (shortfall) of income over expenditure (Statement I)			7,151.1	6,114.2
(Increase) decrease in contributions receivable			(2,985.4)	6,380.4
(Increase) decrease other accounts receivable			5,447.5	(1,249.2)
Increase (decrease) in contributions or payments received in advance			33.5	(176.1)
Increase (decrease) in unliquidated obligations			(1,922.1)	1,161.3
Increase (decrease) in accounts payable			(1,145.1)	3,511.2
Increase (decrease) in other funds and special accounts			(182.3)	
Less:	Interest income	1,600.0		
	Currency exchange adjustments	(2,050.9)	(450.9)	(934.3)
Net cash from operating activities			6,848.1	16,676.1
Cash flows from investing and financing activities				
Increase (decrease) in interfund balances			(1,166.0)	1,226.4
Increase (decrease) in borrowings			(2,890.0)	(2,246.0)
Plus:	Interest income	1,600.0		
	Currency exchange adjustments	(2,050.9)	(450.9)	(934.3)
Net cash from investing and financing activities			(4,506.9)	(1,953.9)
Cash flows from other sources				
Savings on or cancellation of prior period's obligations			4,317.6	3,760.4
Transfers to (from) reserves			4,261.4	226.8
Credits to Member States and prior bienniums adjustments			(5,855.0)	(14,867.6)
Net cash from other sources			2,724.0	(10,880.4)
Net increase (decrease) in cash			5,065.2	3,841.8
Cash at beginning of period			18,328.7	14,486.9
Cash at end of period (Statement II)			23,393.9	18,328.7

Note to the above:

1. 2001 comparative figures converted at the rate of US$1 = €1.123.
2. For 2002-2003, Buildings Management is not reported as part of the General Fund, but under other Headquarters funds.

Statement IV

GENERAL FUND

Status of appropriations by major programme for the biennium 2002-2003 as at 31 December 2003

(In thousands of euros)

Major Programme	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements during 2002-2003	Unliquidated obligations as at 31/12/03	Total expenditure	Balance of appropriations
Governing Bodies	5,349.7	0.0	5,349.7	4,353.7	524.2	4,877.9	471.8
General Management	9,699.2	0.0	9,699.2	10,482.4	797.4	11,279.8	(1,580.6)
Strengthening of Industrial Capacities	37,105.2	0.0	37,105.2	29,355.3	2,158.8	31,514.1	5,591.1
Cleaner and Sustainable Industrial Development	21,979.4	0.0	21,979.4	21,179.2	1,445.6	22,624.8	(645.4)
Regional Programme	32,633.9	0.0	32,633.9	24,488.1	3,648.0	28,136.1	4,497.8
Administration	18,749.7	0.0	18,749.7	17,624.2	717.7	18,341.9	407.8
Indirect Costs	12,405.2	0.0	12,405.2	10,859.5	468.6	11,328.1	1,077.1
Total A	137,922.3	0.0	137,922.3	118,342.4	9,760.3	128,102.7	9,819.6

	Approved estimates			Actual income	Accrued income	Total income	(Excess) shortfall
Income							
Regional Programme	2,515.3	0.0	2,515.3	872.9	0.0	872.9	1,642.4
Miscellaneous Income							
(i) Estimated in GC.9/Dec.17	1,717.2	0.0	1,717.2	1,675.6	0.0	1,675.6	41.6
(ii) Not estimated in GC.9/Dec.17				(984.5)	0.0	(984.5)	984.5
Total B	4,232.5	0.0	4,232.5	1,564.0	0.0	1,564.0	2,668.5
Total A—B	133,689.8	0.0	133,689.8	116,778.4	9,760.3	126,538.7	7,151.1

Schedule 4.1

GENERAL FUND

Status of appropriations by major object of expenditure for the biennium 2002-2003 as at 31 December 2003

(In thousands of euros)

Major object of expenditure	Original appropriation	Transfers/other adjustments	Revised appropriation	Disbursements during 2002-2003	Unliquidated obligations as at 31/12/03	Total expenditure	Balance of appropriation
Salaries and common staff costs	90,135.3	0.0	90,135.3	83,112.1	2,462.3	85,574.4	4,560.9
Official travel	2,550.0	0.0	2,550.0	1,517.2	413.1	1,930.3	619.7
Operating costs	25,543.3	0.0	25,543.3	18,264.5	3,726.7	21,991.2	3,552.1
Information and communication technology	6,169.8	0.0	6,169.8	4,377.7	926.9	5,304.6	865.2
RPTC and IDDA supplementary activities	13,523.9	0.0	13,523.9	11,070.9	2,231.3	13,302.2	221.7
Total A	137,922.3	0.0	137,922.3	118,342.4	9,760.3	128,102.7	9,819.6

	Approved estimates			Actual income	Accrued income	Total income	(Excess) shortfall
Income							
Salaries and common staff costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information and communication technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RPTC and IDDA supplementary activities	2,515.3	0.0	2,515.3	872.9	0.0	872.9	1,642.4
Total B	2,515.3	0.0	2,515.3	872.9	0.0	872.9	1,642.4
Miscellaneous income							
(i) Estimated in GC.9/Dec.17	1,717.2	0.0	1,717.2	1,675.6	0.0	1,675.6	41.6
(ii) Not estimated in GC.9/Dec.17		0.0	0.0	(984.5)	0.0	(984.5)	984.5
Total C	1,717.2	0.0	1,717.2	691.1	0.0	691.1	1,026.1
Total A—B—C	133,689.8	0.0	133,689.8	116,778.4	9,760.3	126,538.7	7,151.1

Schedule 4.1 (Supplementary)

OTHER HEADQUARTERS FUNDS
BUILDINGS MANAGEMENT SERVICES
Status of appropriations by major object of expenditure for the biennium 2002-2003
(In thousands of euros)

Major object of expenditure	Original appropriation	Transfers/other adjustments	Revised appropriation	Disbursements during 2002-2003	Unliquidated obligations as at 31/12/03	Total expenditure	Balance of appropriations
Salaries and common staff costs	12,770.0	0.0	12,770.0	11,339.4	0.0	11,339.4	1,430.6
Official travel	11.1	0.0	11.1	5.2	0.0	5.2	5.9
Operating costs	24,769.4	0.0	24,769.4	13,774.6	2,487.6	16,262.2	8,507.2
Information and communication technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RPTC and IDDA supplementary activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total A	37,550.5	0.0	37,550.5	25,119.2	2,487.6	27,606.8	9,943.7

	Estimated income			Actual income	Accrued income	Total income	(Excess) shortfall
Income							
Common Buildings Management	35,941.6	0.0	35,941.6	34,530.5	38.4	34,568.9	1,372.7
Joint Buildings Management	1,608.9	0.0	1,608.9	1,165.5	112.0	1,277.5	331.4
Total B	37,550.5	0.0	37,550.5	35,696.0	150.4	35,846.4	1,704.1
Miscellaneous income							
Not estimated in GC.9/Dec.17	0.0	0.0	0.0	204.2	0.0	204.2	(204.2)
Total C	0.0	0.0	0.0	204.2	0.0	204.2	(204.2)
Total A—B—C	0.0	0.0	0.0	(10,781.0)	2,337.2	(8,443.8)	8,443.8*

* The balance of appropriations reported above is attributable to the Special Account for Buildings Management Services and is not subject to financial regulations 4.2(b) and 4.2(c).

As at 31 December 2003, contributions outstanding to the Special Account for Buildings Management Services from the Vienna-based organizations are €5,146,319.

Annex IV

NOTES TO THE FINANCIAL STATEMENTS

Preface

UNIDO MISSION STATEMENT

The United Nations Industrial Development Organization (UNIDO) is a specialized United Nations agency dedicated to promoting sustainable industrial development in countries with developing and transition economies.

UNIDO draws on the wide industrial expertise of its staff and the resources of government, the private sector and other United Nations multilateral and national institutions to create productive employment, competitive economies and a sound environment.

Fostering growth and productivity is central to UNIDO's highly focused sectoral, regional and country-specific programmes. UNIDO is committed to maintaining excellent standards in the implementation of these programmes with the ultimate aim of assisting the developing countries and transition economies in their struggle against poverty and marginalization.

Note 1. Summary of significant accounting policies

The following are the significant accounting policies of UNIDO:

(a) UNIDO's accounts are maintained in accordance with the Financial Regulations of UNIDO, as adopted by the General Conference, the rules formulated thereunder, administrative instructions in force as at the date of conversion of UNIDO into a specialized agency, and in conformity with generally accepted government accounting principles. UNIDO follows the accounting standards as approved by the Consultative Committee on Administrative Questions (now High-Level Committee on Management—HLCM) on behalf of the Administrative Committee on Coordination (now the United Nations Chief Executives Board for Coordination—CEB) at its eighty-third session and requested by General Assembly resolution 48/216, and the financial statements, of which these notes form an integral part, are presented in accordance with those standards, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies, which have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period. To facilitate comparison, the comparative figures for 2000-2001 have been converted to euros at the rate of US$1 = €1.123;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The UNIDO financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

(c) Until 31 December 2001, the accounts of the Organization were presented in United States dollars. With effect from January 2002, the currency of accounts was changed to euros (GC.8/Dec.16). Therefore, all assets, liabilities, reserves and fund balances of the General Fund and other Headquarters funds were converted to euros on 1 January 2002, using the exchange rates approved by the General Conference (GC.9/Dec.15), i.e. ATS 13.7603 = €1 and $1 = €1.123 (or €1=$0.890472). Most extrabudgetary activities, however, continue to be in United States dollars. Therefore, for the Organization's consolidated financial statements purposes, these accounts are converted to euros using the methodology stated in note 1(g) below.

(d) Fund accounting. The UNIDO accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Conference or the Director-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

(e) The fiscal period of the Organization is a biennium and consists of two consecutive calendar years.

(f) The income, expenditure, assets and liabilities are recognized on the accrual basis of accounting except for Trust Funds, Industrial Development Fund, Montreal Protocol and Global Environmental Facility. For these funds, the actual contributions received from donors are shown as income (voluntary contributions), which are held in trust by UNIDO for the purpose of carrying out the implementation of projects/activities agreed to by the donors. The exception to this is that from the 2002-2003 promissory notes held in favour of UNIDO on behalf of the Montreal Protocol are recorded as voluntary contributions.

(g) Translation of currencies. In accordance with General Conference decision GC.8/Dec.16, the accounts of the Organization are presented in euros. Transactions in other currencies are converted into euros as follows: income, expenditure and changes in reserves and fund balances at the applicable United Nations operational rate of exchange at the deemed date of the transaction; and assets, liabilities, reserves and fund balances at the applicable United Nations operational rate of exchange at the date of the statement (see also note 1 (q) below on Other income—Gain/loss on exchange).

(h) Assessed contributions. In accordance with financial regulation 5.6, payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

(i) Contributions in kind received or receivable and the value thereof are not accounted for, but disclosed in the notes to the financial statements. Where necessary, amounts are estimated locally based on a fair commercial value in an arms length transaction.

(j) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

(k) Deferred charges—shown under other assets:

(i) Deferred charges comprise expenditure items that are not properly chargeable in the current fiscal period and that will be charged as expenditure in a subsequent fiscal period;

(ii) For balance sheet statement purposes only, that portion of the education grant advance, which is assumed to pertain to the scholastic year completed as at the date of the financial statement is shown under deferred charges. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(l) Fixed assets. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Organization. Acquisitions are charged against budgetary accounts in the year of purchase.

(m) Commitments approved for future fiscal periods that are necessary in the interests of UNIDO, in accordance with financial rule 109.6, are disclosed in the notes to the financial statements of the respective fund. Such commitments are normally restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where long lead times are required for delivery.

(n) No provision is made in the General Fund for end-of-service entitlements or to meet contingencies under appendix D to the Staff Rules of UNIDO, as funds are provided for in the budget appropriations. However, provision is made to meet repatriation grant entitlements and contingency

liabilities for compensation payments under appendix D to the Staff Rules for personnel financed by technical cooperation other than UNDP and are calculated on the basis of one per cent of net base pay.

(o) Special accounts. The ninth General Conference (GC.9/Dec.14) established, with effect from 1 January 2002, a special account for Buildings Management Services (for other than staff costs) and a special account for the Regular Programme of Technical Cooperation. These special accounts are not subject to financial regulations 4.2(b) and 4.2(c); thus the budgetary surplus due to Member States excludes the balances available in these special accounts.

(p) Surpluses due to Member States are funds available for credit to Member States arising from unencumbered balances of the appropriations and contributions from new Member States. In accordance with financial regulation 4.2(b), the unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting therefrom any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of the financial regulations 4.2(c) and 5.2(d). Financial regulation 4.2(c) requires that, before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account. Financial regulation 5.2(d) requires that any balance of the appropriations shall be adjusted against future assessments unless the General Conference decides otherwise.

(q) Other income:

(i) One-half of the gross income from the sales of publications is reported under revenue-producing activities. The other half of income attributable to the sales publications revolving fund less related costs is disclosed in the note to the General Fund (note 2(b));

(ii) Refunds of expenditures charged to prior fiscal periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified are treated as miscellaneous income;

(iv) Gain/loss on exchange arises from transactions conducted in currencies other than euros, for the general and other Headquarters funds and the revaluation of assets and liabilities held in local currencies. Unrealized exchange gains are not recorded as income, but set aside in accounts payable on the grounds of prudence until realized at which point they would be treated as income. Gains arising from the revaluation of non-euro cash and bank amounts are treated as realized;

(v) Gain/loss on exchange arises from transactions conducted in currencies other than dollars (i.e. for the dollar-based extrabudgetary technical cooperation activities in annex I, dollar statements) and the revaluation of assets and liabilities held in non-dollar currencies. Unrealized exchange gains are not recorded as income, but set aside in accounts payable on the grounds of prudence until realized at which point they would be treated as income. Gains arising from the revaluation of non-dollar cash and bank amounts are treated as realized, with the exception of euro cash and bank deposits where such gains are also set aside in accounts payable, pending utilization in the restoration of purchasing power to euro-based projects upon the implementation of euro-based project management facilities in 2004. However, for the euro presentation of dollar-based extrabudgetary activities in annex II, euro statements, the gain/loss resulting from the revaluation of non-euro assets, liabilities, reserves and funds balances is shown as "other adjustments to reserves and funds balances" on statement 1;

(vi) Proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(r) Technical cooperation accounts:

(i) The appropriations for the Regular Programme of Technical Cooperation (RPTC) are administered in accordance with the financial regulations of UNIDO, and in accordance with the General Conference decision mentioned in paragraph (o) above;

(ii) Allocation income—UNDP. The figures for allocation income from UNDP and UNDP trust funds are the same as reported for total expenditure in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure;

(iii) Contributions income—trust funds and Industrial Development Fund (IDF). Voluntary contributions from Governments or other donors are recorded upon receipt of cash. The use of such contributions is governed by agreements between UNIDO and the Government/donor. Upon termination, expiration, or revision of an agreement or receipt of other instructions from the Government/donor, any surplus remaining in a trust/other funds is returned to the Government/donor or disposed of as requested by the Government/donor;

(iv) Interest and miscellaneous income. Interest income arising from the RPTC is credited to the General Fund; however, the miscellaneous income relating to the RPTC is credited to the special account. Interest income arising from the special account for Buildings Management is credited to that account, and finally prorated to the Vienna-based organizations taking into account the funds contributed by them and the date of receipt of such funds in the account. Interest income arising from UNDP activities is credited to the operating fund account maintained with that organization. Interest income arising from the Industrial Development Fund, other than the General Purpose, as well as the trust funds (effective 1 January 2002) relating to the technical cooperation activities is credited to accounts payable until instructions regarding its disposal are received from the donor. Until 31 December 2001, such interest related to the trust funds was credited to project balances. With the new policy, interest income on IDF and trust funds is dealt with in a consistent manner. Interest accrued under the General Purpose segment of the Industrial Development Fund is credited to that Fund. Interest income attributable to the Montreal Protocol is treated immediately as an additional programmable balance. Interest income credited to the Global Environmental Facility is set aside as accounts payable pending instructions to its use and is used to cover certain specific costs, e.g. separate audit in accordance with the agreement;

(v) The criteria for recording and reporting unliquidated obligations against the current biennium for the RPTC are the same as those for the regular budget; however, as stated in paragraph (o) above, these obligations are not subject to financial regulations 4.2(b) that requires that obligations shall remain available for twelve months following the end of the fiscal period to which they relate. For all other technical cooperation fund sources, obligations may be reported as expenditure of the current year on the basis of the following criteria:

Personnel services

The cost of salaries and related expenses corresponding to services rendered within the calendar year. Personnel services, in this context, includes temporary assistance and overtime as well as consultants who have subscribed to Special Service Agreements. However, when the remuneration of the consultant is expressed as a lump sum rather than a sum per period worked, the full cost of the contract may be treated as an obligation of the current year.

Supplies and equipment

The full cost of contracts or purchase orders entered into prior to the end of the year, whether or not delivery has been effected, as long as there is budgetary provision in the current period.

Subcontracts

An obligation can be maintained on the basis of the payment schedule included in the signed contract with the contractor. Where no payment schedule exists, the basis is the estimated timing of payments.

Fellowships

The cost of the fellowship from the date of commencement of study to completion of study or 31 December, whichever is earlier. The fellow must have been placed, i.e. the fellowship awarded to a named individual and the place, course and the duration of the study established and the recipient Government notified.

Travel

The full cost of travel, including the cost of transportation, subsistence allowances and other incidental expenses if travel started prior to the end of the calendar year.

Group training

The cost of activities held in the current year. In the case of activities beginning in one year and continuing into the next, the full cost of the activity should be charged to the current year.

(vi) Unliquidated obligations for the current period in respect of all technical cooperation activities other than the regular budget remain valid for 12 months, following the end of the year rather than the biennium to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months, when a firm liability to pay still exists; such liabilities are reported as accounts payable in the financial statements. Savings on or the cancellation of obligations relating to the RPTC are credited to the special account approved by the General Conference. Savings on/or the liquidation of prior period obligations in respect of all other technical activities are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements. The UNDP requirements are also applied in the case of the Industrial Development Fund, Trust Funds, Montreal Protocol and the Global Environmental Facility.

(s) Trust funds. Director-General's bulletin UNIDO/DG/B.18/Rev.1 dated 15 May 1992 sets out revised policies for establishing and managing trust funds with effect from 26 May 1992. Extrabudgetary funds provided to reimburse the Organization for the use of its facilities are excluded from the provisions of UNIDO/DG/B.18/Rev.1.

(t) Special account for programme support costs:

(i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical cooperation activities. Reimbursement is calculated as a percentage of programme resources expended. However, during 2002-2003, for certain projects financed by the Global Environment Facility, support costs were provided as a lump-sum amount, the income on these projects was recorded on the proportion of the actual resources expended during the year, as compared to the total budget for such projects. The Montreal Protocol Fund, under a new arrangement that became effective January 2003, made an

annual lump-sum payment of US$ 1.5 million as support cost for the implementation of its programme/projects; this amount is recorded as current year income. The Fund also paid a reduced support cost in respect of each of its projects, which, similar to most other technical cooperation activities, is calculated as a percentage of programme resources expended;

(ii) Under the UNDP successor arrangements for agency support services for programme and policy development (SPPD) as well as support for technical services (STS) are reimbursed at standard unit cost per work-month, whereas for administrative and operational services reimbursement is calculated at the rate of 10 per cent for all services;

(iii) In the financial statements of the Organization, the special account for programme support costs is shown separately from the inter-organization funds, from which its income derives;

(iv) Unliquidated obligations in respect of the special account for programme support costs are accounted for on the same basis as for the regular budget.

(u) *Ex-gratia* payments made in accordance with financial rule 109.13 are reported in the notes to the financial statements of the respective fund pursuant to financial regulation 9.3.

(v) From 2003, the financial statements of the catering operations, following recommendation by the External Auditor, are excluded from the UNIDO Financial Statements.

Note 2. General Fund and Working Capital Fund

(a) Assessed contributions

The General Conference approved an amount of €133,689,800 for the regular budget for the biennium 2002-2003 (GC.9/Dec.17) to be financed from contributions by Member States. Full provision is made for contributions outstanding from prior bienniums of €104,572,877 as at 31 December 2003.

(b) Revenue-producing activities

Gross revenue from the sale of UNIDO publications was €151,208, one-half of which (€75,604) was transferred to the sales publications revolving fund. Sales promotional activities and other costs charged to the sales publications revolving fund of €90,365 resulted in a net deficit for the biennium 2002-2003 of €14,761. The net balance of the sales publications revolving fund as at 31 December 2003 is €121,115.

(c) Interest income in excess of the budgetary estimates

Interest income in excess of the budgetary estimate (€1,600,000) for the biennium is €231,657. Pursuant to General Conference decision GC.8/Dec.10, this amount is added to accounts payable established for this purpose in 1999. As at 31 December 2003, the balance on this account was €233,709. The Organization is awaiting instructions from the eligible Member States for the disposal of the balance of €2,052.

(d) Currency exchange adjustments

For the biennium 2002-2003, an amount of €1,840,776 has been set aside as a reserve for exchange rate fluctuations. In order to protect the Organization from exchange rate fluctuations resulting from the introduction of the euro as a single currency for the preparation of the programme and budgets, appropriation and assessment, collection of contributions and advances, and currency of accounts, the General Conference in decision GC.8/Dec.16 authorized the Director-General to establish a reserve, not subject to the provisions of the financial regulations 4.2(b) and 4.2(c). The dollar requirements for

the biennium 2002-2003 were calculated using the January to December 2000 average United Nations euro/dollar exchange rate, i.e. €1 = $0.925754 (document PBC.17/3-IDB.24/3), or $1 = €1.0802006. The amount that has been transferred to the reserve is the difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars.

An unrealized exchange gain of €808,995 resulting from the revaluation of non-euro monetary assets and liabilities using the United Nations operational rate of exchange as at 31 December 2003 has not been recorded as income, but set aside within Accounts Payable—Other until realized. Of this amount, €644,000 is attributable to the revaluation of the outstanding loan from the United Nations.

(e) Miscellaneous income

Of the total miscellaneous income, an amount of €546,973 arises through the re-charge of EDP facilities to UNOV and CTBTO.

In 2003, eleven outstanding debts from 1991 to 1998 amounting to US$ 24,507 (€19,630) were written-off as irrecoverable in accordance with the financial rules of UNIDO.

(f) Staff costs

A fund was established to provide cushioning against fluctuations in the Van Breda premiums. However, prior to 2002, the practice of paying money into the reserve fund had stopped and the fund was not being used to absorb further increases. Pursuant to a request from the UNIDO Staff Council and the recommendation at the 287th meeting of the Joint Advisory Committee, it was decided to fully distribute this reserve on an equitable basis. The fund had a balance of €472,215 shown as accounts payable as at 1 January 2002 to which €7,821 was credited as interest income, thus resulting in a total amount of €480,036. This distribution took place in 2002.

(g) Regular Programme of Technical Cooperation

In accordance with General Conference decision GC.9/Dec.14, an amount of €2,468,096 representing the level of uncommitted, but fully programmed appropriations under the Regular Programme of Technical Cooperation as of 31 December 2003 not subject to financial regulation 4.2(b) and 4.2(c), is placed in a special account established for the purpose. Funds from cancellation of obligations, if any, would be retained in the special account for carrying out RPTC activities.

(h) Prior biennium adjustments

The total adjustment of €117,771 comprises:

(i) A credit for the biennium 1996-1997 of €9,111 attributable to an additional United States income tax claim submitted to the Government of the United States of America in respect of United States income tax reimbursed to a UNIDO staff member under the tax reimbursement agreement;

(ii) Additional late charges for the biennium 1998-1999 of €43,687 attributable to RPTC projects, primarily from UNDP Russia;

(iii) Various late charges for the biennium 2000-2001 of €83,195, including €44,381 for building service obligations cancelled in error.

(i) Savings on or cancellation of obligations from the prior biennium

An amount of €4,317,542 net saving arises from the cancellation of 2000-2001 obligations. This amount consists of savings on the cancellation of obligations from the prior biennium of €4,559,778, plus exchange gains resulting from the settlement of prior biennium dollar obligations of €214,447 less expenditures relating to the prior biennium of €456,683.

This saving is further reduced by an amount of €182,293 ($180,667) as a result of the reimbursement to the IDF. In December 2001, funds from the general-purpose segment of the IDF amounting to $245,667 were temporarily used to cover overexpenditures under the RPTC ($180,667) and the projects implemented from the unencumbered balances of the appropriations ($65,000). This situation resulted from over-programming aimed at ensuring full implementation of the approved programmes, as well as the revaluation of accounts required under the split-currency system of assessment (reference Note 3(b) of document IDB.26/2-PBC.18/3). This amount disclosed under transfers to/from other funds, therefore, reduces the budgetary surplus from the biennium 2000-2001 by €182,293.

(j) Accounts receivable—other

Accounts Receivable—Other include the Organization's claim amounting to €955,784 submitted to the Government of the United States of America in respect of United States income tax reimbursed to UNIDO staff members during the period 1994 to 1996 under the Tax Reimbursement Agreement. The Government of the United States of America had communicated to the Organization that it acknowledges this debt, however, no payment was received during 2002-2003.

The Organization's claim to the International Atomic Energy Agency under the cost-sharing agreement for termination indemnity costs for Buildings Management staff separated during the 1995 staff reduction exercise is not resolved. The amount claimed is $644,453 (€723,720 at the United Nations operational rate of exchange approved by the ninth session of the General Conference (GC.9/Dec.15)). A provision for a possible write-off of this receivable is included in accounts payable.

(k) Borrowings

At the time UNIDO became a specialized agency, an interest-free loan of $16,000,000 was received from the United Nations. The loan is repayable at the rate of $1,000,000 a year, commencing in 1990. The total amount due as at 31 December 2003 amounts to $2,000,000 (€1,602,000 at the United Nations operational rate of exchange as at 31 December 2003).

(l) Other reserves

Other reserves comprise the following:

	€000's
Separation Indemnity Reserves	5,499.3
Sales Publication Revolving Fund	121.1
Reserve For Exchange Rate Fluctuations	1,840.8
Special Account for RPTC	2,468.1
Total	9,929.3

(m) Separation indemnity reserves

Pursuant to decision GC.6/Dec.15, paragraph (e), the amount of $9,546,732 representing the balance of appropriations for the biennium 1992-1993, which was actually received by the Organization, was transferred to a separation indemnity reserve in 1995. The reserve had effectively been reduced to $991,717 (€1,113,698) by payments made during the period 1995 to 2001 amounting to $8,555,015. During 2003, an award plus costs of €4,000 ordered by the International Labour Organization Administrative Tribunal to a former UNIDO staff member was charged to this account, reducing the balance to €1,109,698. Pursuant to General Conference decision GC.7/Dec.17, the amount of $13.9 million was transferred from the unencumbered balance of appropriations for the biennium 1994-1995 for the funding of the separation indemnity reserve to meet the cost of staff separations resulting from the 1998-1999 programme and budgets. Unlike the previous allocation from the 1992-1993 biennium, the allocation from the 1994-1995 biennium was not supported by the actual cash, as large arrears for this biennium exist. This reserve had effectively been reduced to $3,908,824 (€4,389,609) by payments made during the period 1998-2001 of $9,991,176. No payments were made during 2002-2003, thus the balance remained at €4,389,609.

(n) Working Capital Fund

The amount of the Working Capital Fund was set by the General Conference at $9 million (GC.2/Dec.27). The level of the Fund was reduced to $6,750,000 (GC.6/Dec.16) for the biennium 1996-1997 and was further reduced to $6,610,000 for the biennium 1998-1999 (GC.7/Dec.12); $6,610,000 was approved for the biennium 2000-2001 (GC.8/Dec.14), and the biennium 2002-2003 (GC.9/Dec.13). Effective 1 January 2002, the amount ($6,610,000) was converted to euros in accordance with GC.9/Dec.15, resulting in a Working Capital Fund of €7,423,030.

The excess of the balance of the fund over its authorized level in the amount of €371 representing contributions assessed to new Member States in 2002-2003 will be applied against future assessments.

(o) Surplus due to Member States

The following is an analysis of the surpluses due to Member States, expressed in millions of euros, after application of the provision for the delay in the collection of assessed contributions. The provision represents contributions receivable from Member States for prior bienniums and from new Member States at the balance sheet date. As at the balance sheet date, the surpluses due for distribution—representing assessed contributions received after the end of a biennium together with receipts from new Member States are set aside in Accounts Payable—Other, pending receipt of Member States' instructions. Of the total amount due for distribution of €5,295,636, an amount of €4,367,691 was available for application against the 2004 assessments.

	Surplus	Disposal of surpluses	Surpluses applied to assessments	Prior biennium adjustments	Surpluses due for distribution	Provisions for delays in the collection of contributions	Surpluses due to Member States	Remarks
2002-2003	7.1						7.1	Provisional
2000-2001	10.2			0.1	3.9	6.2	0.0	
1998-1999	14.7	2.1	2.7	0.5	0.8	8.6	0.0	
1996-1997 (GC.8/Res.4)	46.8	4.6	2.1	(0.4)	0.4	40.1	0.0	
1994-1995 (GC.7/Dec.17)	35.4	15.6		0.3		45.9	(26.4)	
1992-1993 (GC.6/Dec.15) (GC.8/Dec.10) (GC.8/Res.4)	16.5	11.7	2.6		0.1	2.1	0.0	
1990-1991	9.8					1.3	8.5	Retained - GC.5/Dec.14
1988-1989	7.3					0.2	7.1	Retained - GC.4/Dec.15
1986-1987 (GC4/Dec. 15)	4.8	4.8					0.0	
	152.6	38.8	7.4	0.5	5.2	104.4	(3.7)	
Contributions from new Member States	1.9	0.2	1.4		0.1	0.2	0.0	
Total	**154.5**	**39.0**	**8.8**	**0.5**	**5.3**	**104.6**	**(3.7)**	

(p) Eliminations

Eliminations comprise two elements as shown below:

(a) Buildings Management Service costs charged to UNIDO. An amount of €4,773,118 is eliminated from both operating costs and contractual services to avoid double counting of UNIDO's contribution to buildings management costs;

(b) Expenditure of €10,834,075 on RPTC and IDDA supplementary activities is re-analyzed into its component parts.

(q) Long-term contracts

Long-term contracts awarded for the operation of the VIC are not reported as commitments, as they may be terminated at any time without penalty.

(r) Commitments

Commitments of €16,646 representing legal obligations for which disbursements will be made in future years were entered into prior to 31 December 2003.

(s) Revaluation of non-euro obligations

Obligations have not been revalued as at 31 December 2003. This would have resulted in €74,343 additional expenditures and an additional €731,173 unrealized exchange gain. Such differences will be recognized at time of disbursement.

(t) Contributions in kind

Contributions in kind estimated at €310,215 were received from Member States in support of UNIDO field offices during the biennium.

(u) Ex-gratia payments

No ex-gratia payments were made in 2002-2003.

(v) Non-expendable equipment

The following table shows the non-expendable equipment, at cost, expressed in millions of euros, according to the cumulative inventory records of UNIDO as at 31 December 2003. In accordance with UNIDO accounting policies, non-expendable equipment is not included in the fixed assets of the Organization, but is charged against the appropriations when acquired. The minimum euro value per item of non-expendable property is €1,500.

Balance as at 1 January 2002	14.1
Add: acquisitions during 2002-2003	1.0
Deduct: disposals during 2002-2003	2.5
Balance as at 31 December 2003	12.6

During the biennium 2002-2003, non-expendable equipment to the value of €2,625 was reported as stolen and written-off in the inventory records.

(w) Contingent liabilities

(i) End-of-service payment to staff

In accordance with the decision taken by the Panel of External Auditors in 1989 at Manila, UNIDO calculated the amounts required to cover the estimated costs of contingency liabilities for end-of-service payment as at 31 December 2003.

In line with United Nations accounting standards, liabilities for end-of-service payments comprise end-of-service allowance, repatriation grant and compensation for accrued annual leave. To provide a more realistic picture, the amount required for the removal of household goods has also been included with effect from 2002-2003. The valuation is based on the standard salary scale and the entitlements defined in the Staff Regulations and Rules, as well as taking into account the cost of staff separating during the year 2002. They are estimated to be:

Regular budget	€21.2 million
Operational budget	€ 3.3 million

Post retirement benefits are excluded.

It should be noted that no budgetary provision has been made, except that in the case of the operational budget, as reflected in statement II and note 3(i) (operating reserve). There is a contingency reserve of €4.83 million ($4.3 million), which was effectively reduced to €3.13 million by negative fund balances as at 31 December 2003 (see note 3(i)).

(ii) The United Nations Joint Staff Pension Fund

UNIDO is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

(iii) After-service health insurance

Staff members (their spouses, dependent children or survivors) retiring from service under the Pension Fund Regulations at age 55 or later, are eligible for after-service health insurance coverage after having been a participant in a contributory health insurance scheme of the common system for at least 10 years. The same applies to staff members receiving compensation for disability under Appendix D to the Staff Rules. Costs of participation in this scheme are borne on the basis of joint contributions by UNIDO and the participants concerned.

During the biennium 2002-2003, the Organization's contribution to the scheme amounted to €3,131,812. The contributions against the Buildings Management Service amounted to €501,872, which were cost-shared with other Vienna-based organizations. In accordance with Programme and Budget Committee conclusion 2000/2, a detailed actuarial study to determine the financial impact of the after-service health insurance was carried out, which showed the level of unfunded liabilities as at December 2003 to be €36.0 million ($44.9 million based on the year-end exchange rate). A United Nations system-wide solution is being sought. The lead agency on this issue, established by the High-Level Committee on Management, Financial and Budget Network, is the United Nations who are preparing a report to be submitted to the General Assembly.

(x) Common fund for Major Repairs and Replacements

On 1 January 1981, an agreement between the Republic of Austria, the United Nations and the IAEA went into effect to establish a common fund for the purpose of financing the cost of major repairs and replacements of buildings, facilities and technical installations, which are the property of the Republic of Austria and form part of the Headquarters areas of the United Nations and IAEA at the Vienna International Centre. This agreement has also applied to UNIDO since 1986, when it became a specialized agency. The Fund is administered by UNIDO through a joint committee. Annual financial statements are prepared by UNIDO and audited by its Internal Oversight Group. The liability of each of the three Vienna-based organizations, which was under the agreement limited to US$ 150,000 per year, i.e. $25,000 as an annual contribution and up to $125,000 as reimbursement of approved expenditures incurred in the previous year, was increased to $325,000 as of 1 January 1996. The Republic of Austria was liable to pay the balance exceeding the combined limit of $900,000 established for the three United Nations organizations. In 1999, an agreement was reached between the Vienna-based organizations and the CTBTO to share the annual contribution as well as the annual expenditure equally among the four of them, i.e. $18,750 as an annual contribution and up to $225,000 as reimbursement of approved expenditure incurred in the previous year.

In 2002, an agreement was reached between the Vienna-based organizations and the Republic of Austria, under which reimbursement of the disbursements made during the year 2001 ($988,626) was not required. Under this agreement, there will only be annual assessed contributions to the fund as follows: the Republic of Austria (€1,235,300) and the Vienna-based organizations (€1,235,300). Furthermore, unexpected major repairs and replacements, which are not included in the agreed investment plan, will have to be shared by all parties. In the past, such costs were fully absorbed by the Austrian government.

The fund balance as at 31 December 2003 is €1,836,190.

Note 3. Other Headquarters funds

(a) Funds reported under this heading comprise:

(i) Special Account for Programme Support Costs;

(ii) Computer Model for Feasibility Analysis and Reporting (COMFAR);

(iii) Buildings Management Services (BMS).

(b) With effect from 1 January 2002, the General Conference has approved (GC.9/Dec.17) BMS as a separate, self-balancing major programme in the programme and budgets for 2002-2003. All BMS expenditures are offset by income, i.e. contributions received from other Vienna-based organizations and from UNIDO. Consequently, under the UNIDO General Fund, only UNIDO's share of the BMS operations is included (reference IDB.24/3-PBC.17/3). In view of the above, the BMS is reported under other funds rather than under General Fund and Working Capital Fund for the first time in 2002-2003. The General Fund and Working Capital Fund now show only UNIDO's contribution to BMS costs. The BMS operations are further split into two components:

(i) Staff costs: This continues to be subject to the provisions of financial regulations 4.2(b) and 4.2(c);

(ii) Special account for Buildings Management Services (for other than staff costs): The ninth session of the General Conference (GC.9/Dec.14), established with effect from January 2002, a special account for BMS (for other than staff costs), which is not subject to financial regulations 4.2(b) and 4.2(c); thus the budgetary surplus, if any, will not require distribution to Member States. Each Vienna-based organization (UNIDO, IAEA, UNOV and CTBTO) is required to pay its share into this account. Interest income is credited to the account. This amount is then prorated to each Vienna-based organization taking into account the funds contributed by it and the date of receipt of such funds in the special account.

Additional analysis of BMS operations is provided in schedule 4.1–supplementary and the analysis on the special account is provided in annex III. The surplus on the special account for BMS costs of €8,443,792 does not form part of the unencumbered balances of the appropriations due to Member States at the end of the biennium; this amount includes €5,146,319 due from the Vienna-based organizations.

(c) Voluntary contributions

Voluntary contributions include €186,481 renouncements as income from Member States to the special account for programme support costs (reference GC.9/Dec.10 through which the General Conference strongly encouraged Member States to consider renouncing their shares of the unencumbered balances of the appropriations, income from new Member States and interest income in excess of budgetary estimates for the regular budget and/or for technical cooperation activities of UNIDO).

(d) Currency adjustment

The €1,173,093 exchange difference results primarily from the revaluation of the United States dollar cash and term deposits held by the special account for programme support costs.

(e) Net excess (shortfall) of income over expenditure

The following is an analysis of income and expenditure during 2002-2003 for the funds reported under this heading:

Table 1

	Special account for programme support costs	Computer Model for Feasibility and Analysis	Buildings Management Services	Total
	(In thousands of euros)			
Income (including savings on cancellation of obligations from prior biennium)	19,787.0	898.2	36,050.6	56,735.8
Expenditure (including loss on exchange)	19,999.2	847.8	27,606.8	48,453.8
Net (shortfall) of income over expenditure	(212.2)	50.4	8,443.8*	8,282.0

* Relates to the special account (see annex III).

(f) Other adjustments to reserves and fund balances

Commencing 2002, sales income under the Computer Model for Feasibility and Analysis is accounted for on a receipt rather than on an accrual basis, reflecting the fact that the initial invoices issued upon a sales enquiry are pro forma. The fund balance is adjusted by €37,920 ($33,767) in respect of "pro-forma" debtors from prior years still outstanding as at 31 December 2003.

(g) Accounts receivable—Other

Within the Special Account for Buildings Management Services, there is an amount of €309,122 representing a claim for reimbursement from the Austrian authorities for stranded costs, Renewable Energy Surcharge and KWK-Zuschlag. In the unlikely event of the claim not being settled, full provision has been made within Accounts Payable—Other.

(h) Payments received in advance

The advance of €380,647 represents receipts from UNOV in respect of the asbestos removal programme.

(i) Operating reserve

An operating reserve, established in respect of the special account for programme support costs in accordance with PBC conclusion 1989/4 at $5,504,190 was reduced to $4,300,000 (€4,828,900) in accordance with Board decision IDB.14/Dec.12.

The net reserve of €3,345,316 ($2,978,910) brought forward from 2001 was reduced to €3,133,155 as at 31 December 2003 by the net deficit for 2002-2003 of €212,161.

(j) Revaluation of non-euro obligations

Non-euro 2002-2003 obligations as at 31 December 2003 have not been revalued in the accounts. The effect of such a re- luation would have been to reduce expenditure in the special account for programme support costs by €133,340.

(k) Commitments

Commitments, representing legal obligations for which disbursements will be made in future years, were entered into prior to 31 December 2003 as below.

	€000's
Special Account for Programme Support Costs	48.0
Computer Model for Feasibility and Analysis	84.5
Buildings Management Services	3.0

(l) Contributions in kind

Contributions in kind estimated at €123,813 were received from Member States in support of UNIDO projects.

Note 4. Technical cooperation

(a) Technical cooperation activities

Technical cooperation activities reported under this heading comprise activities executed by UNIDO with funds provided through the Industrial Development Fund, trust funds and inter-organization arrangements with UNDP and other organizations, as well as the special account for the implementation of integrated programmes from the unencumbered balances of the appropriations (GC.8/Res.4). These activities are governed by various agreements signed by two or more parties, i.e. donor(s) and UNIDO.

(b) Euro presentation of technical cooperation activities

The significant majority of voluntary contributions are received in United States dollars for projects programmable almost exclusively in that currency. For the biennium 2002-2003, donor reporting was also undertaken in United States dollars (GC.9/Dec.15).

However, in order to present consolidated financial statements (Statements I and II) of UNIDO for the year ending 31 December 2003, all technical cooperation activities required conversion to euros.

Annex I, Tables 1 and 2 are, therefore, provided in both United States dollars and euros.

The approach for preparing the euro statement is based on the following:

(i) Non-euro income, expenditure and changes in reserves and fund balances—other than as highlighted below—will be stated at the equivalent amount of euros applicable as at the deemed date of the transaction applying the United Nations operational rate of exchange as at that date;

(ii) Non-euro assets, liabilities, reserves and fund balances as at 31 December 2003 will be converted to a euro equivalent using the United Nations operational rate of exchange as at 31 December 2003 (reference GC.9/Dec.15);

(iii) The reserves and fund balances at the beginning of 2002 are based on the opening United States dollar values converted at a rate of US$1= €1.123 (GC.9/Dec.15);

(iv) The currency exchange adjustment figure essentially represents the realized gain or loss on non-euro transactions during the year and the savings achieved in 2002-2003 on the liquidation of prior year United States dollar obligations;

(v) The 'other adjustments to reserves and fund balances' figure is the gain or loss that would result from the revaluation of all non-euro assets, liabilities, reserves and fund

balances to euros using the United Nations operational rate of exchange as at 31 December 2003.

(c) Separate disclosure of Montreal Protocol

For the biennium 2002-2003, Montreal Protocol is disclosed separately in Annex I. Previously, this had been combined with the statement for the Industrial Development Fund.

(d) Common Funds for Commodities

For the biennium 2002-2003, these funds are correctly reported as part of Trust Funds and not the Industrial Development Fund. The transfer of the cumulative fund balance of $450,875 (€506,333) is reported within transfers to and from other funds.

(e) Montreal Protocol promissory notes

From the biennium 2002-2003, promissory notes in favour of UNIDO, held by the Multilateral Fund for the implementation of the Montreal Protocol to the value of $20,264,334 (€16,231,732), have been recorded in the financial statements as voluntary contributions receivable.

(f) Interest on donor funds

For the Industrial Development Fund, other than the general pool, and from 2002-2003 for trust funds, interest earned from the investment of funds, net of bank charges, realized exchange gains, realized and unrealized losses is represented as a liability within "Accounts Payable—other". As at 31 December 2003, the amounts were as follows:

	US$ 000's	€000's
Industrial Development Fund	6,723.2	5,385.3
Trust funds	1,810.4	1,450.2
Total	8,533.6	6,835.5

The disposal of the interest income is governed by agreements with donors. This may include the return of such funds to donors, or their transfer to other projects in which case they will be shown as voluntary contributions.

Prior to 2002, trust fund interest income, exchange gain or loss and bank charges would have been disclosed under "Other income". The new presentation more appropriately reflects the nature, legal status and the timing as to when such amounts are considered additional programmable funds. The adoption of this policy has resulted in 2002-2003 trust fund income being reported $1,810,435 less than it would have been under the previous policy ($2,241,100 for 2000-2001).

Notwithstanding the above, interest income recorded under trust funds for the biennium 2002-2003 principally relates to an adjustment for prior year interest on a project, which, in 2000-2001, was shown under the Montreal Protocol (then part of the Industrial Development Fund).

Negative interest income recorded under the Global Environment Facility (GEF) in 2002-2003 relates to an adjustment from 2001. GEF interest, net of bank charges, is recorded as a liability under "Accounts payable—other" ($315,632 / €252,821 as at 31 December 2003).

(g) Unrealized exchange gains and losses

In accordance with the United Nations System Accounting Standards, monetary assets and liabilities are revalued at the United Nations operational rate of exchange in effect at 31 December 2003.

Any resultant unrealized gain is not recorded as income for the period, but set aside within "Accounts payable—other". Additionally, for the Industrial Development Fund and trust funds, any gain arising from the revaluation of euro cash and term deposits are similarly set aside on the grounds of prudence and not distributed to donors. These amounts will be used in 2004 to restore purchasing power to projects with euro expenditures, following the introduction of euro-based management of technical cooperation programmes. Any subsequent residue will then be available for distribution. The amounts of unrealized gain within "Accounts payable—other" are as follows:

	US$ 000's	€000's
Industrial Development Fund	1,760.7	1,410.3
Trust Funds	5,993.5	4,800.8
Global Environment Facility	4.3	3.4
Montreal Protocol	5.0	4.0
Total	7,763.5	6,218.5

(h) Currency exchange adjustment

Annex I, table 1—US dollar statements

Table A shows the analysis of the currency exchange credit. A distinction is drawn between realized gains and losses resulting through the conduct of transactions in other than United States dollars and gains and losses resulting from the re-statement of non-United States dollar assets and liability values to an equivalent dollar value as at 31 December 2003.

For these funds, where contributions are received, programmed and disbursed almost exclusively in United States dollars, any realized gains and both realized and unrealized losses from the revaluation of non-United States dollar assets and liabilities, are recorded through table 1 and the programmable fund balance adjusted accordingly.

Table A

	Regular programme	*Montreal Protocol*	*GEF*	*Total*
	(In thousands of US dollars)			
Realized				
On 2002-2003 transactions	1.6	1.6	2.0	5.2
Unrealized				
Revaluation of non-US dollar assets and liabilities at 31 December 2003	(0.2)		33.8	33.6
Currency exchange adjustment	1.4	1.6	35.8	38.8

Annex I, table 1—euro statements

Table B shows the analysis of the currency exchange credit. A distinction is drawn between realized gains and losses resulting through the conduct of transactions in other than euros and the savings resulting from the settlement of United States dollar obligations from prior years at a different euro rate of exchange.

Table B

	Regular programme	*IDF*	*Montreal Protocol*	*GEF*	*Trust fund*	*Special account for IPs*	*Total*
	(In thousands of euros)						
Realized							
On 2002-2003 transactions	(10.3)		(5.4)	(0.5)		(69.8)	(86.0)
Euro savings on prior year US$ obligations	9.4	332.0	1,238.1	46.4	380.2	57.9	2,064.0
Currency exchange adjustment	(0.9)	332.0	1,232.7	45.9	380.2	(11.9)	1,978.0

(i) Transfers to reserves

This represents the charge to projects in respect of the provision for compensation payments under Appendix D to the staff rules.

(j) Reimbursement of the Industrial Development Fund

In December 2001, funds from the general-purpose segment of the Industrial Development Fund amounting to $245,667 were temporarily used to cover over-expenditures under the Regular Programme of Technical Cooperation ($180,667) and the projects implemented from the unencumbered balances of appropriations ($65,000). This situation resulted from over-programming aimed at ensuring full implementation of the approved programmes, as well as the revaluation of accounts required under the split-currency system of assessment (reference document IDB.26/2-PBC.18/3).

During 2002, the Industrial Development Fund was fully reimbursed with these funds from the savings realized on the cancellation of obligations, the transfer being reported within transfers to and from other funds.

(k) Special account for implementation of integrated programmes from the unencumbered balance of appropriations

As at 31 December 2003, the balance on this account of $68,788 was transferred to the general-purpose IDF funds for the exclusive purpose approved by the General Conference (GC.8/Res.4). The transfer is reported within transfers to/from other funds.

(l) Cash and term deposits

The equivalent of $1,702,373 (€1,363,601) is held in currencies classified as non-convertible as follows:

	US$ 000's	€000's
Industrial Development Fund	1,255.1	1,005.3
Trust Funds	447.3	358.3
Total	1,702.4	1,363.6

(m) Operating reserves

The Industrial Development Board, in decision IDB.2/Dec.7, authorized the freezing of the operational reserve of the Industrial Development Fund at $550,000 (€440,550 at the United Nations rate of exchange as at 31 December 2003).

(n) Revaluation of non–United States dollar obligations

Non-United States dollar obligations as at 31 December 2003 have not been revalued in the accounts. The effect of such a revaluation would have been to increase expenditure as follows:

	US$ 000's
Industrial Development Fund	115.0
Inter-organizational arrangements	22.6
Global Environment Facility	20.3
Montreal Protocol	27.1
Trust Funds	174.4
Regular Programme of Technical Cooperation	50.6
Total	410.0

(o) Commitments

Commitments, representing legal obligations for which disbursements will be made in future years, were entered into prior to 31 December 2003 as below:

	US$ 000's	€000's
Industrial Development Fund	3,733.8	2,990.8
Montreal Protocol	3,952.5	3,165.9
Global Environment Facility	4,051.0	3,244.8
Trust Funds	3,748.9	3,002.9
Regular Programme of Technical Cooperation	498.7	399.4
Inter-organization arrangements	1,173.4	939.9
Total	17,158.3	13,743.7

Payments of $28,040 (€22,460) made in 2003 against future commitments are recorded as deferred expenditure under Other Assets.

(p) Contributions in kind

Contributions in kind estimated at $993,275 (€889,854) were received from Member States in support of UNIDO projects and $13,703 (€13,242) in support of project travel.

(q) *Ex-gratia* payments

No *ex-gratia* payments were made in 2002-2003.

(r) Field IOVs

As at 31 December 2003 there is a backlog of unprocessed field inter-office vouchers of $8,473,317 (€6,787,127). The backlog of $9,192,315 as at 31 December 2001 was reduced to $3,697,328 by December 2002, an amount which represented a normal backlog level resulting from the time required

by the UNDP field offices to submit field inter-office vouchers to UNIDO and the need to process these in accordance with UNIDO's financial regulations, rules and other administrative instructions.

This normal backlog was retained throughout most of 2003, however, in the last quarter of 2003 UNDP implemented a new electronic inter-office voucher system (e-IOV), which resulted in UNIDO not receiving its last quarter charges until January 2004, too late to be processed in 2003. These charges account for $5,968,523 of the backlog.

(s) Lost or stolen non-expendable equipment

During the biennium 2002-2003, non-expendable equipment to the value of €6,243 was reported as lost or stolen and written-off in the inventory records.

Notes to the financial statements – Annex I

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO

Table 1. Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2002-2003

(In thousands of euros)

	Regular Programme	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	*Subtotal Extrabudgetary Funds*	Total
INCOME									
Assessed contributions									
Voluntary contributions		46,023.0	66,527.4	15,307.0	49,991.8			*177,849.2*	177,849.2
Other income									
- Funds received under inter-organization arrangements						16,849.7		*16,849.7*	16,849.7
- Allocations from other funds	5,523.8								5,523.8
- Interest income		83.4	1,253.3	(11.7)	203.9			*1,528.9*	1,528.9
- Currency exchange adjustments	(0.9)	332.0	1,232.7	45.9	380.2		(11.9)	*1,978.9*	1,978.0
- Miscellaneous		0.2	(20.8)		3.4			*(17.2)*	(17.2)
TOTAL INCOME	5,522.9	46,438.6	68,992.6	15,341.2	50,579.3	16,849.7	(11.9)	*198,189.5*	203,712.4
EXPENDITURE									
Salaries and common staff costs	2,076.8	25,034.8	3,307.7	2,159.2	20,047.1	7,258.8		*57,807.6*	59,884.4
Contractual services	758.2	3,260.6	35,508.3	7,853.6	5,735.6	2,803.0		*55,161.1*	55,919.3
Operational expenses	316.5	2,025.7	715.7	55.6	1,656.4	713.0		*5,166.4*	5,482.9
Acquisitions	1,652.8	3,617.0	15,473.4	29.7	9,052.0	3,735.9		*31,908.0*	33,560.8
Fellowships	718.6	3,034.7	374.4	169.9	2,460.5	936.6		*6,976.1*	7,694.7
Programme support costs		4,630.3	7,839.6	1,092.0	3,996.6	1,402.4		*18,960.9*	18,960.9
TOTAL EXPENDITURE	5,522.9	41,603.1	63,219.1	11,360.0	42,948.2	16,849.7		*175,980.1*	181,503.0
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		4,835.5	5,773.5	3,981.2	7,631.1		(11.9)	*22,209.4*	22,209.4
Prior biennium adjustments							(141.7)	*(141.7)*	(141.7)
Provision for delay in collection of contributions									

	Regular Programme	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	*Subtotal Extrabudgetary Funds*	Total
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		4,835.5	5,773.5	3,981.2	7,631.1		(153.6)	*22,067.7*	22,067.7
Savings on cancellation of prior biennium's obligations							293.9	*293.9*	293.9
Transfers to reserves		121.3	9.4	11.9	77.8			*220.4*	220.4
Transfers from reserves									
Transfers to/from other funds		506.3			(506.3)		(139.6)	*(139.6)*	(139.6)
Credits to Member States									
Other adjustments to reserves and fund balances		(17,008.3)	(13,721.5)	(3,605.9)	(13,082.4)			*(47,418.1)*	(47,418.1)
Reserves and fund balances, beginning of biennium		48,317.9	34,668.9	7,074.5	34,729.2		(0.7)	*124,789.8*	124,789.8
RESERVES AND FUND BALANCES, END OF BIENNIUM		36,772.7	26,730.3	7,461.7	28,849.4			*99,814.1*	99,814.1

Table 1. Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2002-2003

(In thousands of United States dollars)

	Regular Programme	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	*Subtotal Extrabudgetary Funds*	Total
INCOME									
Assessed contributions									
Voluntary contributions		46,583.7	70,111.9	15,351.9	51,436.4			*183,483.9*	183,483.9
Other income									
- Funds received under inter-organization arrangements						18,288.2		*18,288.2*	18,288.2
- Allocations from other funds	6,310.2								6,310.2
- Interest income		95.0	1,264.2	(10.4)	202.1			*1,550.9*	1,550.9
- Currency exchange adjustments	1.4		1.6	35.8				*37.4*	38.8
- Miscellaneous		0.2	(22.4)		4.1			*(18.1)*	(18.1)
TOTAL INCOME	6,311.6	46,678.9	71,355.3	15,377.3	51,642.6	18,288.2		*203,342.3*	209,653.9
EXPENDITURE									
Salaries and common staff costs	2,330.1	26,476.3	3,513.7	2,300.3	21,302.6	7,830.8		*61,423.7*	63,753.8
Contractual services	878.5	3,690.6	38,698.8	8,687.6	6,087.4	3,241.1		*60,405.5*	61,284.0
Operational expenses	360.9	2,186.3	782.3	61.1	1,792.1	806.2		*5,628.0*	5,988.9
Acquisitions	1,917.1	3,928.7	17,233.5	31.5	10,249.8	3,889.5		*35,333.0*	37,250.1
Fellowships	825.0	3,331.4	414.0	188.3	2,678.0	1,050.4		*7,662.1*	8,487.1
Programme support costs		4,758.2	8,223.1	1,104.9	4,070.8	1,470.2		*19,627.2*	19,627.2
TOTAL EXPENDITURE	6,311.6	44,371.5	68,865.4	12,373.7	46,180.7	18,288.2		*190,079.5*	196,391.1
EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		2,307.4	2,489.9	3,003.6	5,461.9			*13,262.8*	13,262.8
Prior biennium adjustments							(156.3)	*(156.3)*	(156.3)
Provision for delay in collection of contributions									

	Regular Programme	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	*Subtotal Extrabudgetary Funds*	Total
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE		2,307.4	2,489.9	3,003.6	5,461.9		(156.3)	*13,106.5*	13,106.5
Savings on cancellation of prior biennium's obligations							290.7	*290.7*	290.7
Transfers to reserves		124.5	9.6	12.3	80.5			*226.9*	226.9
Transfers from reserves									
Transfers to/from other funds		450.9			(450.9)		(133.8)	*(133.8)*	(133.8)
Credits to Member States									
Other adjustments to reserves and fund balances									
Reserves and fund balances, beginning of biennium		43,025.8	30,871.7	6,299.6	30,925.3		(0.6)	*111,121.8*	111,121.8
RESERVES AND FUND BALANCES, END OF BIENNIUM		45,908.6	33,371.2	9,315.5	36,016.8			*124,612.1*	124,612.1

Table 2. Combined statement of assets, liabilities and reserves and fund balances as at 31 December 2003

(In thousands of euros)

	Industrial Development Fund	Montreal Protocol	GEF Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	Total 2003
ASSETS						
Cash and term deposits	49,661.6	25,763.4	10,509.7 45,392.9	10,524.9		141,852.5
Accounts receivable						
Assessed contributions receivable from Member States						
Voluntary contributions receivable		16,231.7				16,231.7
Other contributions receivable				823.0		823.0
Less provision for delay in collection of contributions						
Interfund balances	34.0	1,680.4		400.9		2,115.3
Other	227.7	99.8	44.7 246.3	351.7		970.2
Other assets	9.9		11.4 11.1	7,379.4		7,411.8
TOTAL ASSETS	49,933.2	43,775.3	10,565.8 45,650.3	19,479.9		169,404.5
LIABILITIES						
Payments or contributions received in advance				14,665.2		14,665.2
Unliquidated obligations	4,969.8	11,718.8	2,682.1 7,398.4	3,158.5		29,927.6
Accounts payable						
Interfund balances			51.9 1,162.2			1,214.1
Other	8,190.7	5,326.2	370.1 8,240.3	1,656.2		23,783.5
Other funds and special accounts						
Other liabilities						
TOTAL LIABILITIES	13,160.5	17,045.0	3,104.1 16,800.9	19,479.9		69,590.4

	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	Total 2003
RESERVES AND FUND BALANCES							
Operating reserves	440.5						440.5
Other reserves	1,054.3	7.7	9.8	913.1			1,984.9
Balances relating to projects funded by donors	32,953.1	26,722.6	7,451.9	27,936.3			95,063.9
Working capital funds							
Surplus (deficit)	2,324.8						2,324.8
TOTAL RESERVES AND FUND BALANCES	36,772.7	26,730.3	7,461.7	28,849.4			99,814.1
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	49,933.2	43,775.3	10,565.8	45,650.3	19,479.9		169,404.5

Table 2. Combined statement of assets, liabilities and reserves and fund balances as at 31 December 2003

(In thousands of United States dollars)

	Industrial Development Fund	Montreal Protocol	GEF Trust Fund		Inter-organization arrangements	Special Account for Integrated Programmes	Total 2003
ASSETS							
Cash and term deposits	61,999.5	32,164.1	13,120.7	56,670.4	13,139.6		177,094.3
Accounts receivable							
Assessed contributions receivable from Member States							
Voluntary contributions receivable		20,264.3					20,264.3
Other contributions receivable					1,027.4		1,027.4
Less provision for delay in collection of contributions							
Interfund balances	42.4	2,097.9			500.6		2,640.9
Other	284.3	124.5	55.8	307.5	439.1		1,211.2
Other assets	12.4		14.2	13.8	9,212.7		9,253.1
TOTAL ASSETS	62,338.6	54,650.8	13,190.7	56,991.7	24,319.4		211,491.2
LIABILITIES							
Payments or contributions received in advance					18,308.6		18,308.6
Unliquidated obligations	6,204.5	14,630.2	3,348.4	9,236.5	3,943.2		37,362.8
Accounts payable							
Interfund balances			64.7	1,450.9			1,515.6
Other	10,225.5	6,649.4	462.1	10,287.5	2,067.6		29,692.1
Other funds and special accounts							
Other liabilities							
TOTAL LIABILITIES	16,430.0	21,279.6	3,875.2	20,974.9	24,319.4		86,879.1

	Industrial Development Fund	Montreal Protocol	GEF Trust Fund	Inter-organization arrangements	Special Account for Integrated Programmes	Total 2003
RESERVES AND FUND BALANCES						
Operating reserves	550.0					550.0
Other reserves	1,316.2	9.6	12.3	1,140.0		2,478.1
Balances relating to projects funded by donors	41,140.0	33,361.6	9,303.2	34,876.8		118,681.6
Working capital funds						
Surplus (deficit)	2,902.4					2,902.4
TOTAL RESERVES AND FUND BALANCES	45,908.6	33,371.2	9,315.5	36,016.8		124,612.1
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	62,338.6	54,650.8	13,190.7	56,991.7	24,319.4	0.0 211,491.2

Table 3. Summary of transactions on sub-accounts of the Industrial Development Fund for the biennium 2002-2003 as at 31 December 2003

(In United States dollars)

	Fund balance at 01/01/2002	Cash received 2002-2003	Expenditures 2002-2003	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2003
General purpose convertible	2,130,010	1,860,716	1,190,931	102,559	**2,902,353**
Agence de Coopération Culturelle et Technique	44,292	0	13,996	0	**30,295**
Agence Wallonne à l'Exportation	223,679	620,064	418,496	0	**425,247**
Argentina	0	20,170	0	0	**20,170**
Australia	2,923	54,875	2,329	0	**55,469**
Austria	3,071,767	5,519,463	4,802,524	1,232	**3,789,938**
Austria—Integrated Programme	1,043,477	157,885	770,961	0	**430,401**
Bahrain	82,448	849,304	811,459	0	**120,293**
Belgium	824,477	(113,301)	580,440	0	**130,736**
Brazil	147,931	47,281	120,094	0	**75,117**
China	1,133,318	943,819	103,637	0	**1,973,501**
Costa Rica	(660)	660	0	0	**0**
Côte d'Ivoire	(109,207)	589	0	0	**(108,618)**
Czech Republic (Ministry of Agriculture)	179,314	97,004	173,141	3,593	**106,770**
Czech Republic (Ministry of Trade and Industry)	28	0	0	0	**28**
Democratic Republic of Korea	34,319	7,120	0	0	**41,439**
Denmark	4,717,856	2,231,129	2,040,253	77	**4,908,809**
Egypt	(101,718)	0	0	0	**(101,718)**
Finland	172,190	70,241	27,771	0	**214,660**
France	386,744	1,884,934	2,072,212	0	**199,467**
France (Ministry of Agriculture)	846,043	41,581	208,663	0	**678,961**
Germany	517,910	75,615	221,141	3,255	**375,639**
Germany—Deutsche Gesellschaft für Technische Zusammenarbeit	0	279,320	251,222	0	**28,098**
Greece	573,021	857,126	1,061,462	0	**368,685**
Guatemala	560,125	1,178,644	1,726,868	300	**12,201**
Honduras	39,682	(39,489)	0	0	**193**
Hungary	623,578	354,146	604,167	0	**373,557**
India	1,945,303	2,343,043	522,139	(150)	**3,766,057**
Indonesia	0	14,986	0	0	**14,986**
Ireland	70,811	8,948	47,850	0	**31,909**
Italy	8,994,962	9,338,538	9,384,223	(1,338)	**8,947,939**
Japan	2,967,637	1,973,119	4,252,371	0	**688,385**
Japan Overseas Development Corporation, Bangkok	0	23,000	22,576	0	**424**
Kuwait	129,209	7,436	28,190	0	**108,455**
Kuwait Institute	(279)	279	0	0	**0**
Lebanon	0	610	610	0	**(0)**
Luxembourg	3,056	677,596	538,461	0	**142,191**
Myanmar	0	577	0	0	**577**
Netherlands	1,825,413	(311,166)	940,346	2,081	**575,982**

	Fund balance at 01/01/2002	Cash received 2002-2003	Expenditures 2002-2003	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2003
New Zealand	32,657	1,853	0	0	**34,510**
Norway	156,049	26,458	0	0	**182,507**
Norway—Integrated Programme (Africa)	477,911	7,828	357,534	0	**128,206**
Poland	146,779	857,675	938,705	14,384	**80,133**
Portugal	903,576	377,885	0	0	**1,281,461**
Republic of Korea	1,015,118	534,617	248,429	0	**1,301,307**
Rockefeller Foundation	(335)	(1,415)	(1,750)	0	**0**
Romania	0	13,617	0	(183)	**13,434**
Russian Federation	0	352,450	30,508	(9)	**321,933**
Rwanda	0	355	0	0	**355**
Saudi Arabia	1,347,206	78,137	23,364	0	**1,401,979**
Slovakia	121,133	65,713	132,578	0	**54,268**
Spain	982,800	1,019,847	747,723	0	**1,254,924**
Sweden	0	114,463	62,232	0	**52,231**
Switzerland	994,442	9,965,394	6,557,042	3,481	**4,406,275**
Thailand	7,729	11,134	13,952	0	**4,911**
Turkey	37,813	121,099	157,136	(752)	**1,025**
Undetermined	(134,773)	0	(16,488)	125,122	**6,837**
United Kingdom—Integrated Programme	1,464,275	1,588,281	2,029,786	0	**1,022,769**
Venezuela	61	(61)	0	0	**0**
Total special-purpose convertible	38,502,092	44,350,476	43,028,351	151,093	**39,975,309**
Bulgaria	0	0	0	28	**28**
China	104,507	5,895	54,763	0	**55,638**
Cuba	349,148	42,000	0	0	**391,148**
Czech Republic	(3,593)	3,593	0	0	**0**
Egypt	(45,546)	0	0	0	**(45,546)**
Egypt Iron and Steel Co.	31,942	0	0	0	**31,942**
India	492,656	67,080	(8,978)	0	**568,714**
Poland	44,714	(29,680)	0	0	**15,034**
Romania	183	(183)	0	0	**0**
Russian Federation	(2,613)	2,613	0	0	**0**
Slovakia	129,999	119,163	106,424	4,263	**147,001**
Tifac, New Delhi	388	0	0	0	**388**
Turkey	753	(753)	0	0	**0**
Undefined	295	0	0	0	**295**
Total special-purpose non-convertible	1,102,833	209,728	152,209	4,291	**1,164,643**
GRAND TOTAL	41,734,935	46,420,919	44,371,491	257,943	**44,042,305**

Note to the above:

(a) From 2002-2003, Montreal Protocol is reported separately in Annex I and not part of the IDF (see note 4(c))
(b) From 2002-2003, Common Funds for Commodities are reported as part of trust funds and not part of the IDF (see note 4(d)).

Table 4. Summary of technical cooperation activities financed by trust funds for the biennium 2002-2003 as at 31 December 2003

(In United States dollars)

	Fund Balance 01/01/2002	Contributions received, interest and miscellaneous income 2002-2003	Expenditures 2002-2003	Fund Balance 31/12//2003
Projects financed by recipient Governments				
Algeria	106,155	16,833	56,937	**66,052**
Argentina	424,860	0	0	**424,860**
CICELPA—Centro de investigacion de celulosa y p	57,779	37,776	84,669	**10,887**
Bolivia	12,460	0	0	**12,460**
Brazil	394,869	(7,305)	183,430	**204,135**
Belarus	26,204	0	0	**26,204**
Chile	6,824	0	0	**6,824**
Colombia	421,218	633,866	812,708	**242,377**
China	411,435	1,212,899	694,810	**929,524**
Ecuador	0	501,913	132,131	**369,782**
Egypt	0	3,501,068	38,085	**3,462,983**
Social Fund for Development, Egypt	141,347	239,130	139,655	**240,823**
Gabon	17,868	0	15,077	**2,790**
Honduras	7,374	40,005	44,802	**2,577**
India	1,023,887	2,081,560	1,442,738	**1,662,709**
Iran, Islamic Republic of	64,885	361,269	12,801	**413,353**
Org. of Invest., Economic & Tech. Assist of Iran	51,622	0	4,301	**47,322**
Iraq	210,936	0	0	**210,936**
Côte d'Ivoire	25,721	200,960	176,873	**49,807**
Kenya	0	54,357	42,453	**11,904**
Lebanon	24,958	63,900	61,550	**27,308**
Benghazi Dev. Centre	8,093	0	0	**8,093**
General Pipe Co.	2,700	0	0	**2,700**
Oil Training Qualifying Institute, Libya	24,976	(24,976)	0	**0**
Industrial Research Centre of Libya	10,049	0	0	**10,049**
Secretariat of Strategic Industr., Libya	53,081	0	0	**53,081**
Lithuania	0	28,250	0	**28,250**
Madagascar	135,093	0	0	**135,093**
Mauritius	30,815	0	11,988	**18,826**
Mexico	1,220	111,732	102,355	**10,596**
Nigeria	1,013,400	2,526,800	1,039,595	**2,500,605**
Oman	11,311	0	0	**11,311**
Panama	10,057	0	0	**10,057**
Paraguay	17,780	0	0	**17,780**
Russian Federation	251,244	158,051	232,464	**176,831**
Russia—The Foundation NEM & CPCOGI	33,786	20,000	52,123	**1,662**
Saudi Arabian General Investment Authority	190,598	0	689	**189,908**
Saudi German Hospitals Group	1,004	110,000	89,876	**21,127**
Slovenia	15,662	0	(7,013)	**22,674**
Thailand	8,651	26,848	17,256	**18,243**
Turkey	13,444	225,089	120,357	**118,176**
Subtotal	5,263,364	12,120,026	5,602,711	**11,780,679**

	Fund Balance 01/01/2002	Contributions received, interest and miscellaneous income 2002-2003	Expenditures 2002-2003	Fund Balance 31/12/2003
Associate Experts & JPOs				
Austria	95,144	2,224	56,803	**40,565**
Belgium	327,845	143,689	256,855	**214,679**
Denmark	249,404	956,235	913,404	**292,234**
France	97,245	0	75,857	**21,388**
Germany	69,280	0	23,350	**45,930**
Italy	207,876	1,144,655	820,475	**532,056**
Japan	669,304	21,945	161,455	**529,794**
Netherlands	532,768	617,946	781,834	**368,880**
Norway	1,533	754,247	466,891	**288,888**
Republic of Korea	0	141,778	129,635	**12,143**
Russian Federation	45,092	66,727	107,202	**4,617**
Spain	89,787	99,575	154,579	**34,783**
Switzerland	0	260,348	134,053	**126,295**
Subtotal	2,385,278	4,209,368	4,082,392	**2,512,254**
JPOs Travel				
Austria	31,497	(31,497)	0	**0**
Belgium	159,283	(139,392)	(11,624)	**31,514**
Denmark	22,254	0	(9,939)	**32,193**
Germany	5,376	3,785	(1,500)	**10,661**
Japan	58,695	2,869	0	**61,564**
Netherlands	310,775	0	(37,762)	**348,537**
Norway	31,777	(31,000)	(3,489)	**4,267**
Switzerland	20,644	(20,644)	0	**0**
Subtotal	640,301	(215,880)	(64,314)	**488,736**
Projects financed by donor Governments				
Australia	13,808	0	(9,347)	**23,155**
Austria	99,223	886	53,446	**46,664**
Belgium	223,507	4,133	112,747	**114,892**
Canada	13,770	(8,277)	0	**5,493**
Czech Republic	129,766	67,581	98,044	**99,303**
Denmark	601,248	387,843	537,883	**451,208**
Finland	405,751	570,125	203,790	**772,086**
France	895,934	1,573,619	869,125	**1,600,428**
Germany	0	139,642	38,303	**101,339**
Greece	25,761	0	2,334	**23,427**
Italy	6,527,225	10,447,688	11,500,596	**5,474,317**
Japan	4,623,704	4,434,069	6,825,504	**2,232,270**
Japanese Embassy—Guinea TF/GUI/00/001	118	0	(1,420)	**1,539**
Norway	2,482	0	0	**2,482**
Republic of Korea	379,883	644,299	523,203	**500,980**
Korea Research Inst. of Standards & Science	201,766	0	70,461	**131,305**
Slovakia	7,398	0	0	**7,398**
Spain	0	125,891	0	**125,891**
Sweden	0	57,852	53,220	**4,632**

	Fund Balance 01/01/2002	Contributions received, interest and miscellaneous income 2002-2003	Expenditures 2002-2003	Fund Balance 31/12//2003
United Kingdom	649,589	896,929	561,957	**984,561**
United States of America	378,978	(5,746)	0	**373,232**
Subtotal	15,179,912	19,336,535	21,439,846	**13,076,601**
Undefined	59,675	2,941,771	1,227,676	**1,773,770**
Subtotal	59,675	2,941,771	1,227,676	**1,773,770**
Other Trust Funds				
Centro de Investigaciones Textiles	116,969	0	0	**116,969**
Premag Handelsges.M.B.H, Austria	2,595	0	0	**2,595**
Bahrain Development Bank—SFBAH99001	5,624	(6,467)	(843)	**0**
Servicio Nat. de Aprendizagem Ind.	280,746	244,626	474,245	**51,126**
Institute for Scientific & Technological Dev (IDCT)	0	181,175	92,217	**88,958**
Jiangsu Baixue Electric Appliances Co., China	0	55,361	54,954	**407**
Beni-Suef Cement Company, Cairo	33,822	0	0	**33,822**
Engg for Petro and Process Ind., ENPPI, Cairo, Egypt	0	24,141	15,961	**8,179**
European Union	1,419,787	4,038,657	5,019,263	**439,182**
European Union Commission	0	111,220	36,519	**74,701**
CFC—FC/RAF/96/001	(320,044)	804,335	648,628	**(164,337)**
CFC—FC/INT/97/021	17,687	64,514	27,493	**54,708**
CFC—FC/RAS/00/153	(148,518)	404,631	280,354	**(24,241)**
CFC—FC/RAF/03/065	0	200,000	67,285	**132,715**
Global	0	83,620	41,480	**42,140**
International Development Association	144,471	0	(172)	**144,643**
Oil and Natural Gas Corporation Ltd, Kolkata, India	0	2,698,525	2,664,798	**33,727**
Shahid Modarres Ind.Pharmac. Complex	53,878	0	0	**53,878**
Iran Itok Engineering & Technological Co	10,646	(10,646)	0	**0**
Glucosan Factories, Iran	0	5,935	5,922	**13**
Sezione Spez. per l'Assicuraz.del Credito	36,448	0	0	**36,448**
Engineering Consulting Firms Assoc., Japan	11,441	0	0	**11,441**
Mitsui & Co. Ltd., Tokyo	9,781	(9,781)	0	**0**
Proctor & Gamble Far East Inc. Japan	475	0	0	**475**
Chugoku Electric Power Co. Inc, Japan	0	239,560	101,813	**137,747**
New Energy & Industrial Tech. Dev. Org., Tokyo	0	64,000	39,336	**24,664**
Eastern & Southern African Leather Indus.	56,976	25,290	75,607	**6,660**
Petrol. Nasion. Berhad (Petronas) Kuala Lumpur	28,179	0	0	**28,179**
Alcoa Inter America, Inc	17,507	0	0	**17,507**
Cement Company of Northern Nigeria	254,193	(254,193)	0	**0**
Assoc. Mining Industries Nigeria Ltd.	26,729	(26,729)	0	**0**
New Nigeria Development Co., Kaduna	28,325	0	0	**28,325**
Nigerian Nat. Petroleum Corp., Lagos	566,380	0	74,225	**492,155**
Norwegian Agency for Dev. Coop. (NORAD)	2,271,054	1,694,202	2,743,711	**1,221,545**
Fed. Chemical & Ceramics Corp., Islamabad	(1,677)	0	0	**(1,677)**
Inversiones Cofide S.A., Peru	15,405	0	0	**15,405**
Magnetti Marelli: Fiat Group TFIND99009	6,965	0	(3,139)	**10,103**
Islamic Development Bank, Jeddah	25,231	52,012	71,403	**5,840**
Gulf Cooperation Council	11,676	0	0	**11,676**

	Fund Balance 01/01/2002	Contributions received, interest and miscellaneous income 2002-2003	Expenditures 2002-2003	Fund Balance 31/12/2003
Gulf Organization for Industrial Consulting, Qatar	0	38,420	0	**38,420**
Africa Region	73,665	(80,907)	(7,242)	**0**
Badea: Arab Bank for Econ. Dev. in Africa	2,450	0	0	**2,450**
AIDC Dev Centre Ltd., South Africa	0	99,974	69,721	**30,253**
Nadsme—Slovak Republic, Bratislava (SF)	8,181	0	0	**8,181**
Ceylon Steel Corporation, Colombo, Sri Lanka	5,284	0	0	**5,284**
IFAD (Int. Fund for Agric. Development)	74,646	2,450	19,716	**57,380**
Sudan	329	0	0	**329**
Swed. Int. Enterprise Dev. Corp. (Swedcorp)	245,383	198,185	242,122	**201,445**
Staudhammer Finanz AG, Switzerland	3,357	0	0	**3,357**
Tesid Turkish Electronic Ind. Assoc.	1,781	0	0	**1,781**
Arthur Andersen & Co., U.K.	4,732	(4,732)	0	**0**
Unilever Research Bebington	2,497	0	0	**2,497**
United Nations Trust Fund for Human Security	0	1,221,608	0	**1,221,608**
UN Fund for International Partnership	462,668	1,091,810	1,036,999	**517,479**
The Ford Foundation, New York	1,762	0	0	**1,762**
Epstein Engineering Export Ltd., Chicago	807	0	0	**807**
US Agency for Int. Development, Virginia	(399)	0	0	**(399)**
Yemen Corp. f. Cement Ind. and Marketing	15,708	0	0	**15,708**
UNDP/UNDHA	499	0	0	**499**
FAO	275	0	0	**275**
Subtotal	5,886,375	13,250,794	13,892,375	**5,244,794**
GRAND TOTAL	29,414,905	51,642,615	46,180,686	**34,876,835**

Note now includes FC Projects

Note to the above:

(a) From 2002-2003, Common Funds for Commodities are reported as part of trust funds, and not the IDF (see note 4(d)).
(b) From 2002-2003, interest on donor funds is not recorded as income for the year, but reported as a liability (see note 4(f)).

Table 5. Summary of technical cooperation activities for the biennium 2002-2003 financed under inter-organization agreements

(In United States dollars)

	Project expenditure	Programme support	Total expenditure
UNDP			
UNDP main programme	2,071,252	217,820	2,289,072
Support services for policy and programme development	1,735,002	395,155	2,130,157
Support for technical services at the project level	235,073	114,503	349,576
Project for which UNIDO is the associated agency	1,008,613	64,789	1,073,402
Government-executed projects for which UNIDO is the implementing agency	6,389,110	329,593	6,718,703
UNDP trust funds	5,378,887	348,376	5,727,263
Total	16,817,937	1,470,236	18,288,173

Annex II

OPERATING FUNDS—UNDP AND UNDP TRUST FUNDS

Report No. 1

UNITED NATIONS DEVELOPMENT PROGRAMME

(Name of Executing Agency)
(UNIDO)

Status of Funds as at 31 December 2003
(expressed in United States dollars)

Operating Fund			
Balance as at 1 January 2003			13,585,559
Add: Cash drawings from UNDP		(14,000,000)	
IOVs		24,389,491	
Other charges/credits (net)		(2,383,202)	
Miscellaneous income and exchange adjustments (net) (Report No. 8)		37,117	
Miscellaneous items refunded to UNDP (net) (Report No. 8)		363,307	8,406,713
			21,992,272
Less: Expenditure and support costs for lines implemented for self-executed projects (Executing PDRs)		2,247,203	
Expenditure and support costs for lines implemented for projects executed by other agencies and Governments (Implementing PDRs)		1,436,509	3,683,712
Balance at 31 December 2003			18,308,560
Represented by:			
Cash at banks, on hand and in transit		13,139,657	
Accounts receivable (Report No. 9)		9,697,697	22,837,354
Less: Accounts payable (Report No. 10)		3,740,354	
2003 Unliquidated obligations		788,440	4,528,794
Balance at 31 December 2003			18,308,560

REPORT 13

STATEMENT I
REPUBLIC OF KOREA FUND FOR THE TUMEN REGION
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

Status of Fuads at 31 December 2003
(expressed in United States dollars)

Operating Fund	$	$
Balance at 1 January 2003		(42,327)
Add: Cash drawings from UNDP		135,020
IOVs		
Other charges/credits (net)		
Miscellaneous income and exchange adjustments (net) (Report No. 19)		
Miscellaneous items refunded to trust fund (net) (Report No. 18)		
		92,693
Less: Expenditure during 2003		
For projects		
Disbursements (Report No. 15A)	52,402	
Unliquidated obligations (Report No. 16)	45,171	
For AOS (Report No. 15A)	9,472	107,045
		(14,352)
Add/subtract:		
Adjustments to prior years (Report No. 15B):		
Expenditure		
Support costs		
AOS		
Balance at 31 December 2003		(14,352)
Represented by:		
Cash at banks, on hand and in transit	0	
Accounts receivable (Report No. 20)	31,874	31,874
Less: Accounts payable (Report No. 21)	1,055	
Unliquidated obligations (Report No. 16)	45,171	46,226
		(14,352)

REPORT 13

STATEMENT I
GLOBAL ENVIRONMENTAL FACILITY
(Title of Trust Fund)
(Name of Participating and Executing Agency)
(UNIDO)

Status of Funds at 31 December 2003
(expressed in United States dollars)

Operating Fund	$	$
Balance at 1 January 2003		(6,280,984)
Add: Cash drawings from UNDP	7,657,348	
IOVs		
Other charges/credits (net)		
Miscellaneous income and exchange adjustments (net) (Report No. 19)	(880)	
Miscellaneous items charged to trust fund (net) (Report No. 19)	(11,665)	7,644,803
		1,363,819
Less: Expenditure during 2003		
For projects		
Disbursements (Report No. 15A)	2,365,328	
Unliquidated obligations (Report No. 16)	1,364,489	
For AOS (Report No. 15A)	224,030	3,953,847
		(2,590,028)
Add/subtract:		
Adjustments to prior years (Report No. 15B):		
Expenditure		1,575,236
Support costs		
AOS		1,722
Balance at 31 December 2003		(1,013,070)
Represented by:		
Cash at banks, on hand and in transit		
Accounts receivable (Report No. 20)	390,351	
Less: Accounts payable (Report No. 21)	38,932	
Unliquidated obligations (Report No. 16)	1,364,489	1,403,421
		(1,013,070)

Annex III

SPECIAL ACCOUNT FOR BUILDINGS MANAGEMENT SERVICES (FOR OTHER THAN STAFF COSTS)

Table 1. Statement of income and expenditure for the biennium 2002-2003

(In euros)

INCOME		
Contributions received		
IAEA	12,387,404	
UNIDO	3,966,998	
UNOV	5,168,455	
CTBTO	2,013,143	23,536,000
Interest income		164,755
Currency exchange gain		12
Miscellaneous income		39,385
TOTAL INCOME		**23,740,152**
EXPENDITURE		
Rental and maintenance of premises		5,397,986
Utilities		9,682,048
Supplies and materials		104,206
Capital goods		86,488
Bank charges		4,162
Other general operating expenses		21,470
TOTAL EXPENDITURE		**15,296,360**
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE FOR 2002-2003		**8,443,792**

SPECIAL ACCOUNT FOR BUILDINGS MANAGEMENT SERVICES (FOR OTHER THAN STAFF COSTS)

Table 2. Statement of assets, liabilities, reserves and fund balances as at 31 December 2003

(In euros)

ASSETS	
Cash	5,009,593
Accounts receivable	
VAT/energy tax/ELWOG	1,368,909
Contributions receivable*	5,146,319
Other	36,699
TOTAL ASSETS	**11,561,520**
LIABILITIES	
Unliquidated obligations	2,413,267
Accounts payable	
Advances	380,648
Other	323,813
TOTAL LIABILITIES	**3,117,728**
FUNDS BALANCE	
Balance available as at 1 January 2002	0
Add: Excess of income over expenditure for 2002-2003	8,443,792
Balance available as at 31 December 2003	8,443,792
TOTAL RESERVES AND FUND BALANCE	**8,443,792**
TOTAL LIABILITIES, RESERVES AND FUND BALANCE	**11,561,520**

	IAEA	UNIDO	UNOV	CTBTO	Total
Contributions	12,387,404	3,966,998	5,168,455	2,013,143	23,536,000
Interest (net of bank charges)	48,401	36,257	45,455	30,480	160,593
Net expenditure	(8,036,058)	(2,547,160)	(3,348,451)	(1,321,132)	(15,252,801)
	4,399,747	**1,456,095**	**1,865,459**	**722,491**	**8,443,792**
*** Contributions receivable**	**4,617,457**	**0**	**238,706**	**290,156**	**5,146,319**